AR67

2003 annual report

University of Alberta
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Edmonton, Alberta T6G 2R6

knowledgeable
innovative
preferred

HIGH LINER FOODS
INCORPORATED

knowledgeable

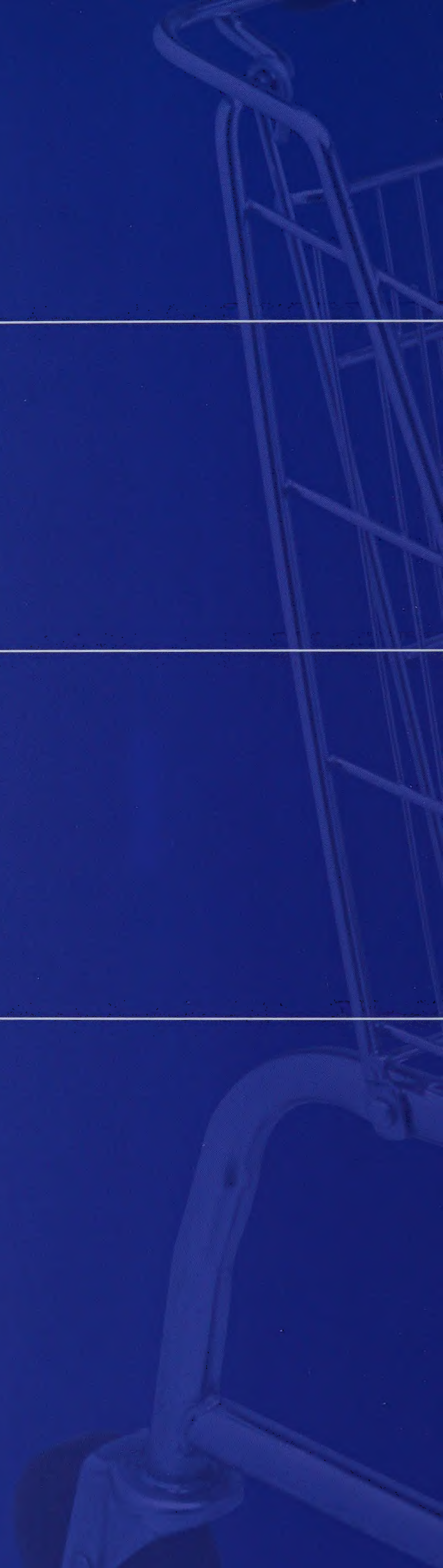
we are

innovative

we aim

preferred

we believe



Profile

High Liner Foods is one of North America's largest processors and marketers of prepared, value-added frozen seafood and frozen Italian foods. The Company's branded products are sold throughout the United States, Canada and Mexico under the High Liner®, Fisher Boy®, Gina Italian Village®, Italian Village® and Floresta® labels and available in most grocery and club stores. The Company is also a major supplier of private label seafood products to North American food retailers and a food service supplier of seafood and pasta products to restaurants and institutions.

Vision & Mission

High Liner Foods is building North America's leading supplier of high quality, value-added frozen seafood and complementary products to the grocery and food service markets. Our team brings value to our retail, food service and club store customers by being committed to the development and delivery of high-quality and innovative value-added seafood and Italian food products, and by providing them with a superior service level. We increase shareholder value by partnering with our customers and suppliers, by developing our brands, by achieving operational excellence, and by providing leadership, development opportunities, and a safe and pleasant working environment to our employees.

Values

Quality: We provide products that meet the demands of consumers for taste, value, convenience and nutrition. We make it easy for our customers to do business with us by providing superior service in all areas important to them.

Integrity: We build relationships based on trust with our consumers, customers, suppliers, employees, and other stakeholders by clearly communicating expectations and results. We make promises and commitments upon which we are confident we can deliver.

Involvement: We believe our employees are able and willing to identify and implement improvement in our business. We work together as a team to achieve our goals.

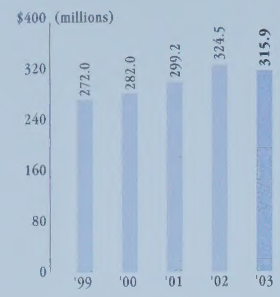
Innovation: We generate growth by developing new products and services to meet the changing needs of our customers, and by constantly looking for better ways to run our business.

Through our mission and our values, we aim to deliver growth in long-term shareholder value.

2003 Highlights

Sales

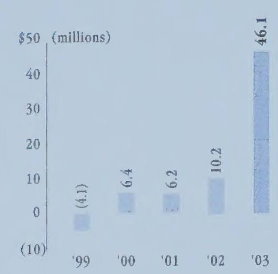
$315.9M



Following seven consecutive years of growth, total sales for fiscal 2003 declined from the previous year, the result of the sale of the Company's Nova Scotia-based fishing assets, which reduced sales by $26.0 million, and the stronger Canadian dollar, which reduced the value of reported sales in 2003 by approximately $20.0 million. Sales for our core Packaged Foods business, however, increased by $16 million or 6% to $282.7 million, despite the impact of the stronger Canadian dollar, which had the effect of reducing reported Packaged Foods sales by $16.0 million. Growth in Packaged Foods sales was driven by successful execution of our strategy, including new product introductions, expansion of distribution channels, and migrating successful products to new markets.

Net Income

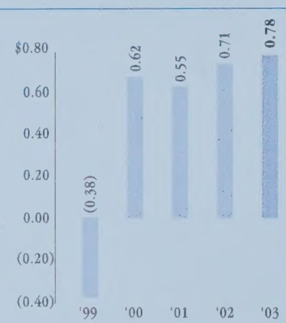
$46.1M



The increase in net income for 2003 reflects a one-time after-tax gain of $43.7 million realized on the sale of our Nova Scotia-based fishing assets, which was partly offset by an after-tax write down of $6.5 million relating to other fishing assets, debt settlement and potential acquisition costs. While the strengthening Canadian dollar has the immediate effect of reducing the Canadian dollar value of U.S. dollar denominated sales, we manage foreign currency risk with appropriate hedging strategies and, due to the magnitude of U.S. dollar denominated raw materials purchases, a strengthening Canadian dollar has a positive effect on our earnings. In the fourth quarter of fiscal 2003, we began to experience this positive effect on earnings, which we expect to continue in 2004.

Earnings per Share (Excluding Non-Operating Items)

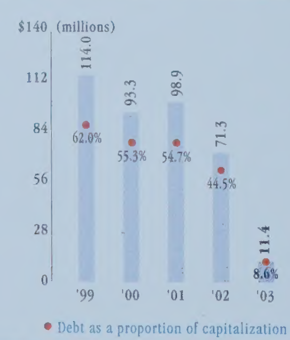
$0.78



In 2003, we achieved our goal of growing earnings per share excluding non-operating items by 10% compared with 2002. Non-operating items for 2003 included the one-time after-tax gain of $4.39 per share realized on the sale of our Nova Scotia-based fishing assets, partly offset by an after-tax write down of $0.65 per share relating to other fishing assets, debt settlement and potential acquisition costs. Non-operating items for 2002 included a $0.22 per share gain resulting from the closure of our primary processing operations in Lunenburg and a gain from the release of escrow funds held for several years after the disposal of a foreign subsidiary several years ago.

Interest-Bearing Debt

$11.4M



During 2003, High Liner significantly strengthened its balance sheet, paying off most of its long-term debt using the proceeds from the sale of the Company's Nova Scotia-based fishing assets. Interest-bearing debt at the end of the fiscal year was $11.4 million, down almost $60 million from $71.3 million at the end of 2002. Debt as a proportion of capitalization was reduced to 8.6% from 44.5%. Over the last five years, the Company has reduced its interest-bearing debt levels by 90%. The proceeds of the sale of the fishing assets also allowed the Company to pay all dividends in arrears on our Second Preference Shares and redeem our Class C and Class D Preference Shares.

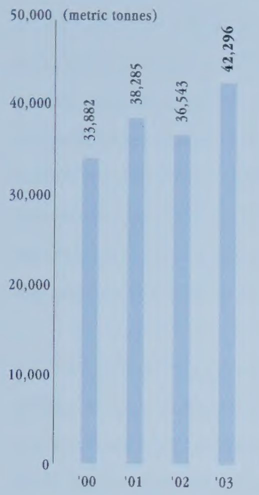
Ten-Year Operating Statistics

Tonnage (Metric Tonnes)[1]	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Groundfish fleet landings[2]	**2,343**	6,572	7,454	8,680	7,834	10,110	6,413	8,945	7,477	11,794
Scallop fleet landings[2]	**490**	1,355	1,440	1,419	852	865	825	663	767	1,168
Raw uncooked product processing – finished weight[3]	**7,539**	10,585	10,167	9,971	11,083	13,666	11,770	10,816	10,128	10,925
Prepared foods processing – finished weight	**42,296**	36,543	38,285	33,882	33,671	35,472	35,423	33,158	29,334	29,529
Total production	**49,835**	47,128	48,452	43,853	44,754	49,138	47,193	43,974	39,462	40,454
Prepared foods processing as a % of total production	**84.9%**	77.5%	79.0%	77.3%	75.2%	72.2%	75.1%	75.4%	74.3%	73.0%
Number of employees	**1,061**	1,274	1,359	1,435	1,435	1,425	1,492	1,400	1,375	1,570
Gross capital expenditures ($000s)	**7,239**	4,869	6,480	5,112	5,107	7,084	6,273	2,237	4,799	5,478

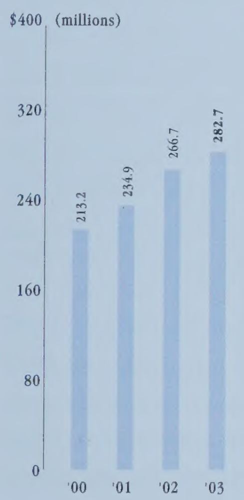
[1] One metric tonne = 2204.6 lbs. [2] The fleet was sold on May 21, 2003, except for one vessel. [3] Lunenburg primary processing plant closed December 2002.

2003 Highlights

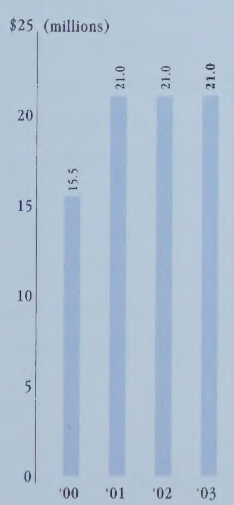
Packaged Foods Production



Packaged Foods Sales

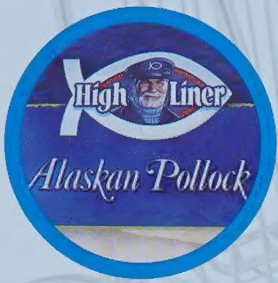


Packaged Foods
Operating EBITDA



SALES CANADA

+10.7%[1]
High Liner Signature™ Products



+47.5%[1]
Seafood Department

+35.0%[1]
Flavoured Breaded Fillets

+56.0%[2]
Italian Village®

[1]As measured by volume (pounds).
[2]As measured in Canadian dollars.

SALES U.S.[3]

+50.8%
Club Stores

+23.3%
Private Label

[3]As measured in U.S. dollars.

President's Letter to Shareholders

Henry Demone
President and Chief Executive Officer

FELLOW SHAREHOLDERS:

Fiscal 2003 was a year in which we sharply focused on executing the growth strategy for our core Packaged Foods business and strengthening our financial position. I am pleased to report that we were successful in each regard. I am especially pleased to report that we achieved our goal of growing earnings per share before unusual items by 10% over fiscal 2002.

FOCUSED ON DELIVERING GROWTH

The year saw a significant milestone in the 105-year history of High Liner Foods. Consistent with our vision to build North America's largest and most innovative supplier of value-added frozen seafood and complementary products, we made the strategic decision to sell our Lunenburg, Nova Scotia-based fishing and scallop harvesting businesses and our Scotia Trawler shore-based assets for $65.4 million to a consortium led by Clearwater Seafoods Limited Partnership. The sale marked the conclusion of an evolutionary process begun more than ten years ago when we first began to source raw materials from around the world. The sale marked a narrowing of our strategic focus to the best opportunity for High Liner to deliver growth – the processing and marketing of high quality, value added frozen seafood and complementary products for the North American retail and food service markets.

The sale of the fishing assets also significantly strengthened our balance sheet. In 2003, we reduced our interest-bearing debt by almost $60 million to $11.4 million at the end of year from $71.3 million at the end of 2002. Debt as a proportion of capitalization declined to 8.6% from 44.5%. The proceeds of the sale also allowed us to pay all dividends in arrears on our Second Preference Shares and redeem our Class C and Class D Preference Shares. We also called our convertible subordinated debentures for redemption. Because the redemption price was $6 per share, substantially all debentures were converted into Common Shares. Combined, these redemptions have simplified our balance sheet considerably.

DELIVERING ON OUR FINANCIAL GOALS

Our list of goals for 2003 was dominated by financial markers, including growing sales by 10%, pre-tax profit margins by 10% over 2002, and earning a 20% return on assets managed compared to 2002. Most importantly, we did achieve our target to grow our net earnings before unusual items by 10% over 2002. Due to the sale of the fishing assets, we were challenged on the sales and return on assets managed goals. However, this report will demonstrate that the divestiture has firmly positioned us to achieve our strategic and financial goals going forward.

- Total sales for 2003 were $315.9 million compared to $324.5 million for fiscal 2002. The decline was primarily the result of the sale of the fishing assets, which reduced sales by approximately $26.0 million. Furthermore, the stronger Canadian dollar, which appreciated 11.8% against the U.S. dollar in 2003, reduced the value of reported sales by approximately $20.0 million. Sales for our core Packaged Foods business in 2003, however, increased 6% to $282.7 million from $266.7 million, despite the negative effect of the strengthening Canadian dollar.
- Net income for fiscal 2003 was $46.1 million, or $4.52 per share, compared to $10.2 million, or $0.93 per share, for fiscal 2002. This year included a one-time after-tax gain of $43.7 million and 2002 included an after tax gain of $2.1 million, realized on our exit from the harvesting and primary processing businesses. The 2003 gain was partly offset by an after-tax write down of $6.5 million relating to the write down of the remaining fishing capital assets, debt settlement costs due to early debt repayment, and potential acquisition investigation costs.
- After-tax income excluding non-operating transactions was $8.9 million ($0.78 per share), up from $8.1 million ($0.71 per share) in 2002 – a 10% increase. We did not grow pre-tax profit margins by 10% over 2002 as this goal was set before we decided to sell the fishing assets. Our growth in profitability was also hindered by lower earnings for Fisher Boy® due to increased listing allowances and marketing spending that did not have the intended lift on sales values, and the bankruptcy of a customer. Despite these challenges, our 2003 pre-tax operating income grew by 2%.
- The Company's Return on Assets Managed (ROAM)[1] declined to 12.4% from 14.7% in 2002. The aforementioned challenges for Fisher Boy® and the sale of the scallop harvesting business were the major contributors to this decline. Our longer-term objective, however, remains achieving a 20% ROAM and new products launched in 2003 and in 2004 will move us towards our goal.

1 *Return on assets managed is calculated as earnings before interest, taxes and non-operating transactions divided by total average assets less future tax assets and the litigation receivable of $5.5 million (2002 $6.7 million).*

SUCCESSFULLY EXECUTING OUR GROWTH STRATEGY

Our strong financial performance in 2003 was the result of our continued success in executing our growth strategy. Delivering innovative new products to the market is a critical aspect of this strategy and during the year we launched more than ten new products to the U.S., Canadian and Mexican markets. Noteworthy is our development and introduction of Stir-Fry Creations™ "meals in a box", which were launched late in the year to a very receptive Canadian market.

Also noteworthy is our introduction of Villa Prima® frozen lasagna, which we began shipping to a major U.S. club store chain in the fourth quarter of 2003. The new business is a result of our success in leveraging our expertise at Italian Village to offer a broader range of frozen Italian foods and to expand into new markets. The narrow frozen pasta market remained challenging throughout the year and the introduction of Villa Prima® frozen lasagna was too late in the year to achieve our goal of year-over-year growth in sales and profits for Italian Village. However, we believe our strategy to expand our Italian foods offerings is beginning to yield results and we anticipate growth in this area of our business going forward. We view this business the way our customers do: as the broader Italian foods category and not just unsauced pasta. We are creating new, more convenient value-added products, and see great opportunity to grow sales through club stores and traditional grocery stores, both under our brands and through private label business.

Another key element of our growth strategy is the introduction of existing products to new customers and new markets. It was our goal in 2003 to introduce our High Liner Signature™ line of products, which have been so successful in Canada, to the U.S. market. Our strategy is to develop a solid, profitable business in the U.S. with the High Liner Signature™ line based on a lower investment in up front listing allowances. In 2003, we were successful in taking our first steps forward in this regard as we listed High Liner Signature™ products with our key customers across the U.S. These products are the same types of products that can be found in U.S. club stores and we look forward to leveraging that recognition to sales at supermarkets.

Following on the heels of our introduction of Italian Village® frozen pasta products in Ontario late in 2002, in 2003 we launched the Italian Village® line in Western Canada. Sales exceeded our expectations. And our combined success in these markets contributed to 56% year-over-year growth in Italian foods sales in Canada.

The third major component of our growth strategy is penetration into new markets. To this end, we continued to experience strong growth in our key U.S. club store business. Sales to U.S. club stores in 2003 increased 51% from 2002. That followed significant year-over-year growth in 2002. In the last three years, we have taken our club store business from a standing start to more than $50 million in annual sales.

AN INDUSTRY OF OPPORTUNITY

Looking ahead to the rest of 2004 and beyond, there has never been a better time to participate in the frozen food industry. As a category, frozen food continues to experience consistent year-over-year growth, driven by consumers' preferences for tasty, healthy, convenient meals. At the same time, the retail food market, our primary market, continues to consolidate. Combined with the emergence of club stores as alternative destinations to purchase groceries, these changes provide a significant opportunity for those companies that a) have the ability to offer chain-wide support on a full line of products within a category; b) operate in multiple categories; and, c) are proficient in the development of innovative new products.

POSITIONED TO ENHANCE SHAREHOLDER VALUE

At High Liner Foods, we believe it is our people that set us apart in our ability to capitalize on these industry opportunities. We have built a knowledgeable and innovative team with a set of core competencies that position the Company to both effectively compete in the frozen food category and to excel in it:

- Expertise in procurement;
- Proficiency in frozen food logistics;
- Expertise in product innovation;
- Strong customer relationships; and,
- Leading brands and reputational equity stemming from consistently delivering what both customers and consumers want.

Our core competencies are the focus of this report and as you read on, you will learn about how these strengths will contribute to building our Company – and shareholder value.

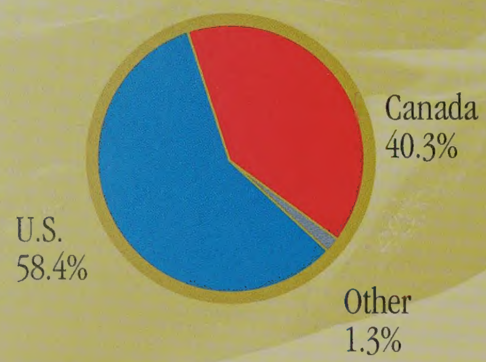
In closing, we look forward to continuing to deliver growth as a company that is focused solely on providing delicious, healthy, convenient packaged seafood and Italian foods to the North American market. While we expect to see a decline in sales and earnings in the first part of the year due to the sale of the fishing assets, we anticipate that continued success in the execution of our business strategy, including a number of key product launches again this year, will contribute to a strong 2004. Additionally, we expect to see the positive effect of the stronger Canadian dollar, as well as our lower debt levels, reflected in our bottom line. In short, we expect to provide our shareholders with continued growth in earnings per share in 2004.

Henry E. Demone
President and Chief Executive Officer

Steady Growth

*Does not include Wal-Mart® as it does not report data.

High Liner Fiscal 2003 Packaged Foods Sales



Source: ACNielsen®

Frozen Food Markets

THE FROZEN FOOD MARKET: STEADY GROWTH

Eating trends in North America are changing. And frozen food as a category has been reaping the benefits of that change, experiencing steady growth. In a study by the American Frozen Food Institute, frozen food ranked third among items that consumers would least want to live without. There are a number of factors contributing to this growth.

In today's busy world, convenience is key in the decision to purchase food for consumption at home. Consumers want foods that can be prepared with a minimal amount of effort in a minimal amount of time. In fact, in focus groups, consumers have cited 20 minutes as the maximum amount of time they would like to spend preparing a meal.

Consumers, however, won't sacrifice taste or quality for convenience. Once considered to be inferior to their non-frozen counterparts, today's frozen foods are setting new standards for quality and taste. More than ever, frozen foods represent a preferred alternative for consumers. Frozen food producers have responded with a myriad of innovative product offerings and continuous improvements in quality.

In an increasingly health conscious North America, the nutritional value of foods is influencing the food buying decision more than ever before. Consumers are concerned about the types of food they put on their family's dinner table and more and more are making healthier choices at their food retailer. These health concerns are not expected to go away. Recently, the public's concerns have turned to trans fats. In February 2003, a Member of Parliament launched a petition calling for the elimination of trans fats in food products in Canada. Regardless of the outcome, the message is clear: Consumers have never been more aware of the potential impact of the foods they eat on their health and well-being. This awareness has had a favourable impact on certain categories as evidenced by consumers' increasingly positive attitude towards frozen fish.

At the same time, demographics are driving a growing preference for "premium" frozen foods and ethnic foods. Today's consumer wants to bring the experience of restaurant dining into the home. Accordingly, they are increasingly demanding differentiated products that represent a higher level of quality and taste. North America is also experiencing an increased preference for ethnic foods as the population becomes more culturally diversified and consumers generally seek new taste experiences.

At High Liner, we not only recognize these trends, we embrace them. We offer consumers a broad range of frozen seafood and Italian foods products that satisfy their preferences for quality, taste, nutrition and convenience.

RETAIL FOOD INDUSTRY: EVOLUTION CREATING OPPORTUNITY

The retail food industry has experienced considerable change in recent years. Most notably, consolidation has significantly reduced the number of large supermarket chains in North America and created more powerful players. At the same time, club stores and other types of retailers have emerged as alternative destinations to purchase groceries. Wal-Mart®, for example, did not sell groceries 15 years ago. It is now the largest grocery retailer in North America. The retailer does not report detailed sales data to market research companies and therefore industry sales figures (such as those on page 6 of this report) do not include Wal-Mart®'s significant contribution to the industry.

Larger, more powerful retailers are demanding more from their suppliers. With change comes opportunity, and the changes in the retail food industry offer growth opportunities to those companies that can satisfy the demands of their customers. Suppliers that offer chain-wide support, robust product lines, multiple categories, seamless logistics and current technology have a distinct competitive advantage in the market. Furthermore, food retailers are increasingly scrutinizing the financial strength of those they do business with, preferring stable companies who are not dependant on the retailer's business.

High Liner prides itself on knowing our industry. We maintain continuous, open dialogues with our customers to assess their evolving needs and respond accordingly. With market-leading brands and industry-leading customer service, High Liner is well positioned to continue to be a preferred supplier of frozen packaged foods and grow in step with our customers.

Globally Sourcing What Consumers Want

PACIFIC OCEAN
ATLANTIC OCEAN
INDIAN OCEAN

COUNTRY OF ORIGIN

1 ARGENTINA
2 CANADA
3 CHILE
4 CHINA
5 FAROE ISLANDS
6 INDIA
7 JAPAN
8 NORWAY
9 RUSSIA
10 SPAIN
11 THAILAND
12 URUGUAY
13 UNITED STATES

Worldwide Procurement

EXPERTISE IN WORLDWIDE PROCUREMENT

For more than 100 years, High Liner sent fishing boats out to sea to harvest the raw materials that became our value-added packaged foods products. As a fishing company, we were resource-driven, selling what we caught. As such, we were constrained in both the range and types of products we were able to offer our customers and consumers.

But today's consumer wants variety and new taste experiences. To excel in the packaged foods industry in the 21st century, we recognized that we must have the flexibility to offer consumers, and customers, what they wanted, when they wanted it. We needed to be customer-driven – buying, and adding value to offer quality and convenient products to consumers. Committed to the success of this strategy, in 2000 we established a team dedicated specifically to worldwide procurement and created an executive level position to oversee it. Paul Snow was appointed to that role. Mr. Snow's significant experience in plant operations at High Liner provided the required knowledge to lead a team responsible for sourcing and purchasing the raw materials and finished products that would eventually make their way to our consumers' dinner tables.

While the transition from a resource-driven company to a customer-driven company was a gradual one, today we procure substantially all of our seafood on global markets from select suppliers. Quality, as it is in all facets of our business, is top priority. Our quality measures are comprehensive and continuous through every step of the procurement process. We employ a rigid ten-point quality control process that ensures that the products we source will meet customers and consumer expectations. Our suppliers must pass a rigorous screening process, including a plant audit to ensure that their facilities and processes not only meet the Canadian and U.S. government requirements, but our own, more stringent, internal standards. We use advanced systems to continuously monitor our supplier's quality information with the results relayed directly to our head office, allowing us to quickly identify and correct problems if they occur. And we employ sophisticated monitoring systems during shipment to verify that raw materials are not exposed to conditions that may adversely affect quality.

We truly view our suppliers as partners and seek to build long-term, mutually beneficial relationships with them. We work closely with our suppliers to develop product specifications and provide training to ensure product quality, safety and consistency. In some areas, we have High Liner employees on site to monitor processing, provide instruction and facilitate communication with our supplier. The end result is a product delivered to our loading dock that meets our expectations as well as those of our customers.

Our knowledge of the fishing business allows us to access the growing global supply of seafood on favourable terms. We understand the world seafood markets and are able to negotiate supply agreements that ensure quality, service and preferred pricing.

Paul Snow
Vice President, Procurement

To support our seasoned team, we built a proprietary, state-of-the art, Internet-based information system that allows us to effectively and efficiently manage and monitor the entire procurement process online. The system also facilitates communication between High Liner, our suppliers and logistics providers and fully integrates with our materials requirement planning system, allowing us to automatically enter orders with suppliers based on our production requirements. Suppliers can confirm orders on line. Shipping companies can schedule pick-ups and deliveries. Customs brokers can clear shipments. And our quality control department can approve the shipments for acceptance at our facilities. In short, we can track our raw materials continuously on line, in real time, and make good decisions based on their status.

Our shift in strategy has created significant opportunity. We now have access to a growing global seafood supply. The products we are able to offer customers and consumers are not limited by our catch. We have not only been able to expand our product lines into new species to meet the changing tastes of consumers, we are able to repeatedly deliver those same product lines to our customers on time and in the desired quantities.

As an example of this new opportunity, global procurement enabled High Liner to introduce products based on wild salmon. Prior to 1996, we were not able to offer our customers and consumers any salmon products because we did not harvest salmon. Today we procure wild salmon from the North Pacific to which we add value for our famous High Liner® brand, for both retail and food service in Canada and the United States. Since we introduced our first salmon-based product, sales of such products have grown to represent more than 9% of our Packaged Foods sales. Moreover, we have introduced more than 30 innovative new products based on the species during that period. Our successful High Liner Signature™ line of premium products, for example, features several products based on wild salmon, including Salmon in a Creamy Dill Sauce and Salmon with Roasted Garlic and Herbs.

High Liner's extensive history in the fishing business provided a solid foundation to develop specific expertise in the global procurement of seafood. Our commitment to innovation, technology and quality control has built upon that foundation to ensure that we can source the raw materials that both meet our high standards and make economic sense.

Frozen Food Logistics

Nancy Allin
Director, Logistics

PROFICIENCY IN FROZEN FOOD LOGISTICS

High quality products alone are not enough to ensure the satisfaction of our customers. Today's food retailers, whether traditional supermarkets or club stores, are placing increasing demands on their suppliers in other ways – demands for seamless ordering/invoicing processes, information systems integration, vendor managed inventory capabilities, on-time delivery and order fill precision.

At High Liner, the goal of our logistics group is to provide a best-in-class supply chain that is adaptive to changing conditions and characterized by excellent relationships with our customers, our suppliers and the rest of our Company. We believe we achieve that goal every day. Our strength in logistics is founded on the expertise of our people. We have assembled a knowledgeable team of logistics professionals with a wealth of experience acquired both through our own 100 plus-year history in logistics, as well as through tenure in other industries. We continually study every aspect of our distribution network in the context of our customers' needs, looking for mutually beneficial opportunities to strengthen our relationships with our customers.

We are committed to continuous improvement of our logistics capabilities through technology. Our logistics team always seeks new ways to leverage High Liner's Enterprise Resource Planning (ERP) system to increase productivity and improve efficiency. In 2003, we conducted an internal audit to identify ways to optimize the use of our ERP system and have since implemented a number of changes that are benefiting both High Liner and our customers. We monitor and share information in real-time both within the logistics group and among the other key departments at High Liner, ensuring a high level of responsiveness to our customers' requests.

Externally, we focus on understanding where our customers are heading with their technologies and challenge ourselves to stay ahead of the curve. We are quick to implement new technologies at the request of our customers, demonstrating our commitment to providing the highest level of customer service. Today we see some of our larger customers moving toward radio-frequency identification (RFID) systems to better manage their flow of inventories. Key logistics personnel are now identifying how High Liner will meet our customers' expectations in this regard.

Innovation plays an important role in logistics. To address both our own and our customers' preferences for more environmentally friendly packaging, and as part of our continuous effort to become more efficient, we recently moved the responsibility for packaging into our logistics group. While our marketing experts continue to develop package design, our logistics group leads a cross-functional packaging team to execute our packaging strategies. Because of their intricate knowledge of our entire distribution system, our logistics group is best positioned to lead a team that develops packaging to maximize efficiency – efficiency in production, efficiency of transportation and efficiency of storage. At the same time, our customers have responded very favourably to the resulting reduction in packaging waste.

Experienced people, the latest technology and a philosophy of innovation all add up to a reputation among North America's food retailers for excellent case-fill rates, exemplary order fill precision and an excellent on-time delivery record.

Efficient, Precise, Adaptive

● PRODUCT DESTINATIONS

HIGH LINER FOODS PROCESSING PLANTS

1 LUNENBURG, NOVA SCOTIA

2 PORTSMOUTH, NEW HAMPSHIRE

3 SECAUCUS, NEW JERSEY

Strong Customer Relationships

Rich Seban
President and Chief Operating Officer, High Liner (USA)

A FOUNDATION FOR SUCCESS

Solid, mutually beneficial relationships with our customers are the foundation of our success – and of our future growth. In our retail Packaged Foods business, we have strong relationships with most of the major supermarket chains and club stores in the United States and Canada. In Mexico, Fisher Boy® is the leading brand of processed seafood.

High Liner's customer relationships are built around our "reputational equity". Our customers trust that High Liner will provide innovative high quality, value-added products through seamless logistics and the highest levels of customer service. We are seen as leaders in our categories and our customers look to our expertise for recommendations on listings, promotions and category trends.

Our philosophy in building strong customer relationships is to work with our customers to achieve shared goals. Every food distributor is different and, as such, we maintain the flexibility to adapt to each customer's needs. We strengthen these relationships by consistently delivering on their expectations of quality and customer service. And we grow these relationships by offering new, innovative products that address consumers' evolving preferences.

Our success in growing business with existing customers is evident in our relationship with Albertsons, a leading U.S. retailer. We have been able to leverage our relationship with Albertsons to supply them with our brands and private label products for both seafood and pasta.

As well as expanding existing relationships, we are continually seeking to establish new customer relationships, both in markets that we currently do business in and new markets. In 2000, recognizing the tremendous opportunity inherent in the rapidly expanding club store market, we began to forge our first relationships in this sector in the United States. By meeting the specific needs of club stores like SAM'S Club, Costco, and BJ's Wholesale Club, we were able to establish ourselves as a preferred supplier to this important market. Over the past three years, we have significantly grown these relationships by continually striving to not only meet, but exceed, our club store customers' expectations. Our diligence has been rewarded with expanded product listings in the seafood category and entry into the Italian foods category. We are now the preferred seafood supplier to SAM'S Club in both the U.S. and Canada. And we are now supplying frozen lasagna to another major U.S. club store chain.

As a supplier to food retailers, we continually focus on protecting, enhancing and growing our customer relationships.


ENGLISH
GA&P

Tony Locke
Director, Product Development and Assurance

A TRACK RECORD OF SUCCESS

Product innovation has played a key role in High Liner's success as a processor and marketer of frozen foods. In fact, new products introduced over the last five years represent 30% of Packaged Foods sales in 2003. As consumers' preferences change, it is imperative that we remain on the leading edge of that change, developing and launching new products that appeal to their ever-evolving preferences for quality, taste, convenience, and nutrition. Recognizing that new ideas are a requisite for long-term growth, High Liner fosters a culture of innovation throughout our entire organization. Nowhere is this more apparent than in consumer research and product development.

The key to successful product innovation is understanding what the consumer wants – not just today but tomorrow. We spend considerable time talking with our customers and employ a number of different tactics to elicit feedback from our consumers. We regularly engage in market research, both quantitative and qualitative. And every five years we conduct a usage and attitude study – not only of our own consumers but of our competitors as well – to determine how consumers preferences are changing. As a result, we have our finger on the pulse of the frozen food-buying public and plan for the future accordingly.

To maximize our success rate with new product introductions, we have adapted a stage/gate process used by some of the most innovative companies. The goal of the process is to minimize up front investment on product concepts that do not progress through to launch. The process is composed of four stages from idea generation through to launch. At the end of each of the stages, we conduct a detailed review of the project to date to assess the ongoing feasibility of the product from a number of perspectives. Importantly, our product development process requires the participation at every stage of key personnel from all the relevant departments of the Company – procurement, processing, marketing, sales and finance – building consensus among the team throughout the process to avoid potential pitfalls during the late stages of development.

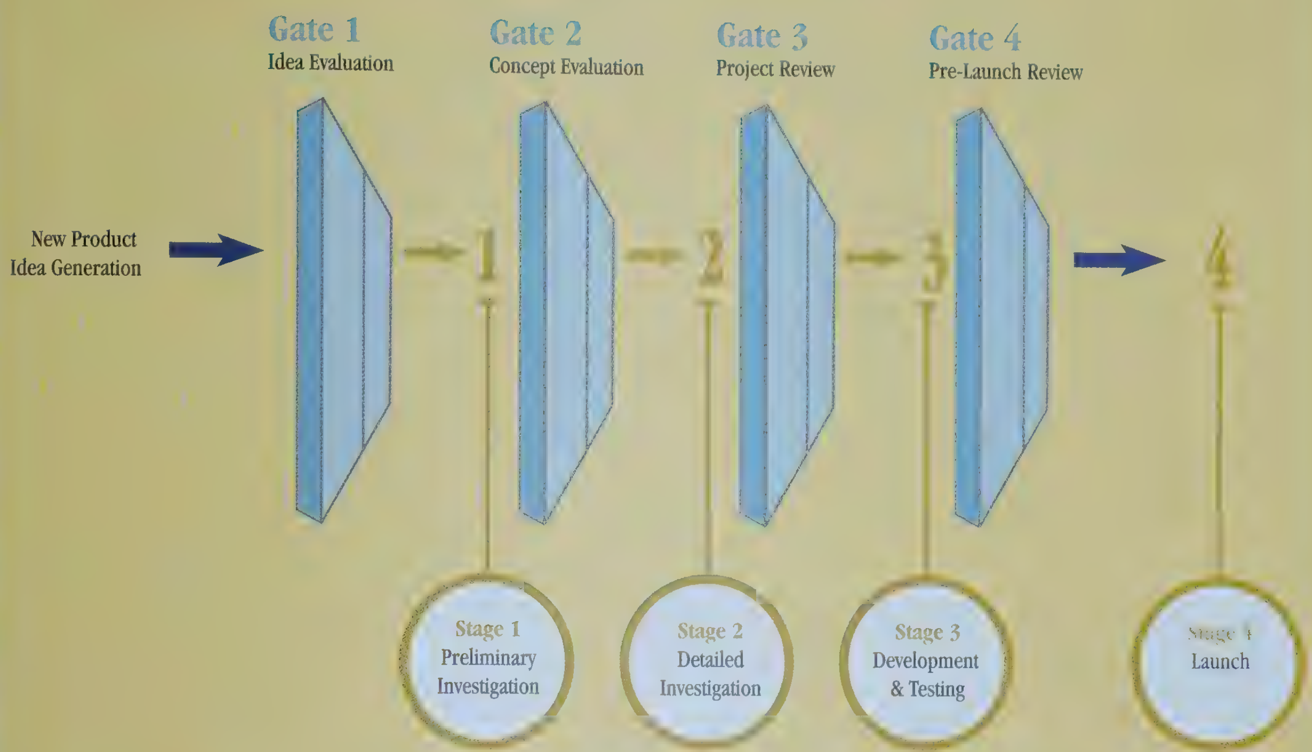
As part of this process, major new products in development are tested at various stages with consumers. No major retail product goes to launch without significant input from the public. First, we discuss our new ideas with consumers to gauge market interest. Later we test our prototype recipes with focus groups. As a final check, we may place our product candidates in the homes of actual consumers.

In 2003 alone, we introduced more than ten new products. While they are all important contributors to our growth strategy, several are especially notable. In Canada, we launched Stir-Fry Creations™ "meals in a box" in response to consumers' preferences for complete meals in a single package. Each meal features an entrée – salmon, shrimp or chicken – with rice and a vegetable, and either an oriental, teriyaki or lemon sauce. In response to market research, we package each component of the meal individually, providing a higher quality product on the dinner table. Stir-Fry Creations™ is an excellent example of our ability to develop innovative, high quality, convenient products that meet the demands of today's consumer.

In the U.S., we launched Villa Prima® frozen lasagna in the club store channel. It is consistent with our strategy to expand our product offerings with existing customers. The ability to provide customers with a high quality frozen lasagna product is the result of our success in leveraging our expertise at Gina Italian Village® into a broader range of frozen Italian foods. We are creating new, more convenient value-added products, and see great opportunity to grow sales through club stores and traditional grocery stores, both under our brands and through private label business.

We also introduced Atlantic Salmon Fillets and Haddock Fillets to the seafood departments of Canadian grocery stores. Traditionally, High Liner's products are sold in the frozen food section of retailers. We saw opportunities to both fill a niche for high quality frozen products in the seafood department and benefit from increased store presence without impact on sales of our other products. Our strategy has yielded year-over-year growth in seafood department sales of 63% in 2002 and 52% in 2003.

4-Stage Product Development Process



In the fourth quarter of 2003, we introduced our Captain's Catch® Japanese Aquaculture Scallops to our Canadian food service channel. Following the sale of our scallop harvesting business earlier this year, our team was challenged to source and develop a scallop product that met our customers' high expectations for quality and value. Our team not only delivered a product that met these expectations, they delivered a product that was recognized by the Canadian grocery industry as best in class with the award of the 2003-2004 Canadian Grand Prix® New Product Award from the Canadian Council of Grocery Distributors in the Meat, Poultry, Seafood and Eggs category.

Our product launches in 2003 also included the introduction of some of our most successful products to markets in which they were not previously available. We began marketing our High Liner Signature™ premium seafood products – which have experienced strong steady growth in Canada – to the traditional grocery channel in the U.S. Our strategy is to develop a solid, profitable business in the U.S. with the High Liner Signature™ line based on reasonable investment. In 2003, we were successful in taking our first steps forward in this regard as High Liner Signature™ products were accepted by key customers across the U.S. These products are the same types of products that can be found in U.S. club stores and we look to leverage recognition of the High Liner® brand to sales at supermarkets.

We also introduced our Italian Village® products to Western Canada following our initial launch to the Canadian market in Ontario in 2002. As was the case in Ontario, our products were very well received in Western Canada, resulting in sales that exceeded our expectations. In Ontario, Italian Village® remained the top selling frozen pasta.

Our commitment to providing our consumers with healthy choices that do not compromise quality and taste plays an important role in product innovation and development. Our team of dedicated food scientists strives continually to reformulate existing products and develop new products that satisfy the demands of a health conscious marketplace without sacrificing the premium eating experience that consumers have come to expect of our brands. As part of our commitment, following more than

Product Innovations

a year of investigation, in 2004 we began preparing our products in frying oil that contains less saturated fats, less than half the trans fatty acid and more polyunsaturated fat, which has been proven to help lower blood cholesterol levels and promote cardiovascular health, than our previous oil. As a result, our consumers can now enjoy the same great High Liner taste with the benefits of an even healthier nutritional profile.

Before we develop any product at High Liner, we ask our consumers and our customers what they really want. Their answer is consistent year after year: high-quality seafood and Italian food that meets their preferences for taste, nutrition and convenience. We respond by creating innovative new products that satisfy these preferences. Our track record of successful product introductions over the long-term stands as a testament to our expertise, our capabilities and our execution.

2003 PRODUCT LAUNCHES

CANADA

High Liner® Primavera Stuffed Sole Fillets

High Liner® Stir-Fry Creations (Lemon Chicken, Teriyaki Salmon, Oriental Shrimp)

High Liner® Haddock Fillets

High Liner® Atlantic Salmon

High Liner® Pre-Cooked Mussels for Food Service

Captain's Catch® Japanese Scallops

High Liner® Alaskan Pollock Loins

Alaskan Pollock Portions

Gourmet Dipt'n Dusted® Breaded Popcorn Shrimp

UNITED STATES

High Liner® Stuffed Salmon Fillets with Mango and Macadamia

High Liner® Salmon in a Delicate Dill Sauce

High Liner® Scallops in Roasted Garlic and Herb Sauce

Fisher Boy® School O' Fish Crunchy Fish Shapes

Fisher Boy® Confetti Fish Sticks

Villa Prima® Portabella Mushroom Ravioli

Villa Prima® Garlic Basil Ravioli

Villa Prima® Florentine Ravioli

Villa Prima® Four Cheese Ravioli

Villa Prima® Meat Lasagna

Gina Italian Village® Creamy Cheese Mini Round Ravioli

Gina Italian Village® Cheese Tortellini

Hi-Flyin' Food!® (More than ten exciting choices for School Food Service)

Strong Brands

Mario Marino
Vice President and Chief Operating Officer, Canadian Operations

RECOGNIZED, TRUSTED BRANDS: DELIVERING ON OUR CONSUMERS' EXPECTATIONS

We have built some of the most recognizable and trusted brands in the industry. We define "brand" as a set of expectations. For High Liner, that means expectations of taste, nutrition and convenience. We have a proud heritage of providing value and variety to consumers that dates back more than a century. Our consumers continually tell us that they trust the High Liner® name to deliver quality products to their dinner tables time after time.

For more than 85 years, the High Liner® name has stood as a symbol of quality and trust to Canadian consumers. High Liner® ranks as the number one seafood brand in Canada and as the eighth largest frozen food (including frozen drinks and ice cream) brand. Our flagship brand has a 44% national market share.

According to market research, Fisher Boy® is the most differentiated frozen seafood brand in the United States, as determined by market research early in 2003. Particularly popular with children because of its mild taste, crunchy coating and value, Fisher Boy® appeals most strongly to young, busy families. Fisher Boy® is currently sold in 54% of U.S. grocery locations and consistently ranks as the number 1 or number 2 fish stick in core markets.

Our Gina Italian Village® and Floresta® brands are well respected among frozen pasta consumers in the United States, where they rank second in terms of national market share. Gina Italian Village® is the leader in three of the top seven frozen pasta markets in the U.S., including New York and Philadelphia, the two markets with the highest consumption of these types of products. It is the number one brand in central and western Canada.

The power of our brand is a key contributor to our track record of success in launching new products. Our customers have told us that when they see our name on a product they have not previously purchased, they trust that it will meet the same high standards they have come to know from our other products.

In short, there is a high degree of loyalty among our consumers, loyalty that we have earned through consistently delivering quality, variety and value.

REPUTATIONAL EQUITY: EXCEEDING THE DEMANDS OF OUR CUSTOMERS

The strength of our brand extends to our customers, the national and multi-national grocery retailers and food service companies, as an asset we refer to as "reputational equity". In its simplest terms, reputational equity is the expectation on the part of our customers that High Liner will supply quality products, develop innovative new offerings, and provide exceptional customer service.

The value of High Liner's reputational equity was evident in 2003 when a larger U.S. club store was seeking a new supplier of frozen lasagna. Since entering the club store market in 2000, we have built a solid relationship with club store chains based on our ability to not only meet but exceed their expectations. As a result, we were asked to submit a club store business plan for the lasagna we had developed for our U.S. school food service business. We eventually earned club store distribution for the lasagna and look to further leverage our excellent standing in this channel by expanding our product offerings in it.

The power of our reputational equity was equally evident when we approached a major Canadian supermarket chain about listing our newly developed Stir-Fry Creations™ during 2003. Knowing High Liner's track record of delivering new products that customers readily embrace, that customer made the decision to list Stir-Fry Creations™ sight unseen. Our customer was not disappointed as Stir-Fry Creations™ was very well received by the public.

Reputation can take years to build and a moment to destroy. That is why we strive everyday to not only protect our reputation but to enhance and strengthen it.

No Added Hydrogenated Oils
High Liner
Signature
WILD PACIFIC
SALMON
FILLETS
DILL
Hand Cut Fillets
4
FISHERBOY
48
CRUNCHY
FISH STICKS
COOKS IN 10 MINUTES
Italian Village
Villa Prima
MEAT LASAGNA
NET WT 40 oz

Management's Discussion and Analysis of 2003 Results

This Management Discussion and Analysis (MD&A) should be read in conjunction with the consolidated financial statements and related notes included in this annual report. The financial statements are prepared in accordance with Canadian generally accepted accounting principles. Amounts in these financial statements and in this MD&A are in Canadian dollars, unless stated otherwise.

This MD&A is prepared using the most up-to-date guidance provided by the Ontario Securities Commission - Continuous Disclosure Form 51-102F1. It also respects guidance provided by the Canadian Institute of Chartered Accountants (CICA).

This MD&A is dated April 2, 2004, which is the date of filing this document. Disclosure contained in this document is current to this date, unless otherwise stated.

OVERVIEW

High Liner Foods Incorporated (HLF:TSX), (the "Company") is a Canadian company traded on the Toronto Stock Exchange. Our expertise is frozen food, and we process and market seafood, pasta, and other food products in North America. The Packaged Foods division includes our food service and all frozen retail branded and private label businesses. High Liner® is among the most recognized food brands in Canada. The Fishing division includes all fishing and primary processing activities of the Company, which were substantially reduced in 2003.

High Liner operates food-processing plants in Lunenburg, Nova Scotia, Arnold's Cove, Newfoundland, Portsmouth, New Hampshire and Secaucus, New Jersey. Logistics and distribution are managed from Lunenburg, Nova Scotia and Portsmouth, New Hampshire. We procure seafood raw material from around the world.

High Liner's head office is in Lunenburg, Nova Scotia. The Canadian Packaged Foods sales and marketing group for both retail and food service is in Toronto, with regional sales offices in Calgary, Montreal and Halifax. The U.S. Packaged Foods business is headquartered in Portsmouth, New Hampshire.

On May 21, 2003, we sold the Nova Scotia-based fishing assets of our Fishing division. Until this sale, the division operated a fishing fleet, harvesting seafood from the North Atlantic. The assets of this division included scallop and groundfish vessels based in Lunenburg, a primary processing plant located in Arnold's Cove, Newfoundland and until December 2002 a primary processing plant in Lunenburg, Nova Scotia. The Fishing division's commodity sales group sold commodity fresh and frozen seafood directly to customers in the United States, Europe, and to the Packaged Foods division. The fishing assets, other than the Arnold's Cove plant and one groundfish trawler, were sold, as they were no longer part of the Company's strategy, discussed below.

BUSINESS STRATEGY

At High Liner, our reputation for quality products gives us an advantage in the global marketplace. We are successful because our employees share a common sense of purpose, a set of shared values and a common goal. Our corporate vision statement sets the overall direction of the organization and describes what we strive to be:

"We will be the leader in value-added frozen seafood in North America."

Our primary focus is on seafood. However, other complementary frozen products are also part of our mission. When we enter other categories, such as Italian foods, we have a viable plan to achieve leadership in the category to increase shareholder value.

Our mission statement describes our business:

"Our team brings value to our retail, food service and club store customers by being committed to the development and delivery of high-quality and innovative value-added seafood and Italian food products, and by providing them with a superior service level.

We increase shareholder value by partnering with our customers and suppliers, by developing our brands, by achieving operational excellence, and by providing leadership, development opportunities, and a safe and pleasant working environment to our employees."

Our strategy is centered on value-added products that bring convenience, value and quality to North American consumers. We believe that vertical integration is not important to achieve this strategy, and therefore we sold all of our Nova Scotia-based fishing assets in 2003 and are looking at alternatives for the Fishing division's remaining assets. We can procure all our raw material from other seafood suppliers achieving our operational goals with better financial returns. Our ability to buy around the world means we can focus on meeting customer and consumer demands, instead of worrying about how we could sell everything that we harvested. We have transformed from being resource-driven to being customer-driven. By procuring and selling what customers want, we are better able to match supply with demand, which is one of our key competitive advantages. And of course, by selling these fishing assets, we have the financial strength to achieve our mission.

Our seafood procurement group uses a proprietary, state-of-the-art procurement and inventory management system to buy a variety of species of seafood from geographically diverse suppliers. The results are lower raw material costs, better predictability of raw material supply and pricing, the highest quality, and reduced risk.

The global supply of seafood is increasing, due to increased supplies of aquaculture products and the stabilization of the supply of wild caught seafood in most areas of the world. This trend has decreased price volatility of most wild species. Being procurement experts has also allowed us to competitively outsource low value-added, labour intensive products, and allows us to develop products wanted by our customers from species we did not historically catch.

Our strategy is to grow our business to increase shareholder value. This involves organic sales and income growth, and smart acquisitions. This growth will provide acceptable returns on invested capital, which, through increasing earnings per share and earnings multiple growth, will increase shareholder value.

We have many opportunities for organic growth with our existing brands, particularly High Liner. We are demonstrating we can increase sales with new product introductions, new customers, and by leveraging existing strong customer relationships. We will expand distribution of our branded products in new markets, including club stores and niche food service channels, and introduce proven products into Mexican markets. We are introducing premium seafood and pasta products to new markets. We leverage our expertise in providing our customers with private label products, but not at the expense of our branded products.

We will grow by acquisition where it makes sense to do so. Acquisitions will need to be accretive and strategic. We look for complementary, profitable frozen food businesses owning leading brands so that we can leverage our strong customer relationships, marketing and logistics expertise and product development skills.

Our strategy follows the changes in eating trends in North America. People prefer healthier, faster and more convenient meals. An aging population prefers premium products and ethnic foods. Accordingly, consumer attitudes towards frozen seafood and Italian foods are positive.

Our ability to develop and introduce successful new products is one of our key advantages in the marketplace. Innovation remains a top priority for our sales, marketing and product development teams. We employ a four-stage product development process (see page 15 of High Liner's 2003 Annual Report) to ensure we thoroughly test the probability of success of new products, including consumer acceptance tests, market research, and in-house product research and development. We believe this is one reason for our success in launching new products.

To be successful, we must be able to marry our ability to match consumer demands with the expertise to sell to major retail and wholesale customers. In recent years, customers have consolidated and increased their buying power. Our customers choose suppliers that are financially stable and not dependent on them for survival; suppliers such as High Liner. As customers get larger, they demand suppliers that can provide a full line of products in a specific category, operate in multiple categories, and who can provide chain-wide support, seamless logistics, and vendor managed inventories. We meet these requirements.

NET INCOME

Net income in 2003 was $46.1 million ($4.52 per share) compared to $10.2 million ($0.93 per share) in 2002. Excluding the non-operating gains in 2003 and 2002, as described below, earnings per share in 2003 were $0.78 compared to $0.71 in 2002.

CONSOLIDATED RESULTS

Selected Annual Information

The table below summarizes key financial information for our last three fiscal years.

(000s except per share amounts)	**Fiscal 2003** **$**	Fiscal 2002 $	Fiscal 2001 $
Sales	**315,879**	324,458	299,194
Net Income:			
Total	**46,119**	10,242	6,182
Basic Earnings per Common Share	**4.52**	0.93	0.50
Diluted Earnings per Common Share	**4.13**	0.87	0.48
Net Income Excluding Non-Operating Items[1]			
Total	**8,932**	8,087	5,683
Basic Earnings per Common Share	**0.78**	0.71	0.45
Diluted Earnings per Common Share	**0.73**	0.67	0.41
Total Assets	**177,739**	207,367	217,870
Total Long-Term Interest-bearing Liabilities[2]	**1,173**	65,314	81,711
Cash Dividends per Share:			
Common Shares	**0.050**	—	—
Second Preference Shares[3]	**36.650**	11.900	9.830
C&D Preference Shares	**0.264**	0.275	0.275

[1] *Management believes disclosing basic earnings per share for after-tax ongoing operating income, excluding one-time events, is important for investors to properly understand the earning ability of the Company. These non-operating transactions in 2003 include the sale of the Nova Scotia-based fishing assets, the write down of the remaining fishing capital assets, the write off of the acquisition investigation costs. Included in 2002 are non-operating costs relating to the closure of the Lunenburg primary processing plant. Included in both 2001 and 2002 are gains relating to amounts that had been held in escrow since 1994 arising out of a disposal of a subsidiary*

[2] *Including current portion.*

[3] *Includes the payment of dividends in arrears .*

Management's Discussion and Analysis of 2003 Results

SALES

Total sales for 2003 decreased by $8.6 million to $315.9 million compared with last year. The decrease results from two factors. First, selling our Nova Scotia-based fishing assets to focus on our Packaged Foods business ended sales activities that were inconsistent with our strategy. These activities contributed to sales only until May 21, 2003 (20 weeks), and were approximately $12.2 million, compared with $38.2 million for the full year in 2002, a reduction of $26.0 million. Second, the stronger Canadian dollar reduced the translated value of reported sales by approximately $20.0 million.

EBITDA

Our consolidated Operating EBITDA[4] in 2003 was $20.2 million compared with $28.4 million in fiscal 2002.

EBITDA[4] of the Fishing division decreased by $8.4 million compared to last year. The decrease is due in part to the sale of our Nova Scotia-based fishing assets. Additionally, higher raw material costs, lower selling prices, partly due to the strong Canadian dollar, and lower production volumes decreased profit of this division.

Our Packaged Foods division did very well this year led by U.S. club store and Canadian retail sales. Despite a strong sales performance, Operating EBITDA[4] in this division remained unchanged from 2002 at $21.0 million, due to incremental listing allowances of $2.6 million, the $1.0 million profit erosion from the bankruptcy of a large customer, and the loss of one scallop customer on the sale of the fishing assets. A reduction in raw material costs, mostly due to a stronger Canadian dollar, increased income of this division. Selling, general and administrative expenses increased in this division in 2003 as a result of higher consumer marketing costs, including advertising and couponing, filling sales positions that were vacant for at least part of 2002, and higher sales incentives paid during the year due to the sales increases in our Canadian Retail operations.

IMPACT OF FOREIGN EXCHANGE

The Canadian dollar strengthened considerably in 2003, which closed at the end of the year up 10.6% over 2002 (based on the average daily exchange rate of $ 1.4051 in 2003 compared to $1.5709 in 2002). Because we report financial results in Canadian dollars, a strengthening Canadian dollar has the effect of reducing the Canadian dollar value of U.S. dollar denominated sales, which comprise more than 48% of total sales. The stronger Canadian dollar reduced the value of sales in 2003 by approximately $20.0 million. Based on 2004 sales estimates, we estimate a $0.01 change in the U.S./Canadian dollar exchange rate will impact sales by approximately $1.1 million.

A strengthening Canadian dollar has a positive impact on earnings. Because the majority of U.S. dollar denominated sales also have U.S. dollar denominated input costs, they are substantially hedged[5]. Furthermore, most raw materials for Canadian dollar sales are purchased in U.S. dollars. A strengthening Canadian dollar, therefore, reduces the cost of raw materials for products sold in the Canadian market. During the year, we had hedged some of our purchases, which resulted in an average exchange rate of 1.4356, compared with an actual average daily spot rate of 1.4051. Based on current operations, we estimate a $0.01 change in the U.S./Canadian dollar exchange rate will impact net income by approximately $200,000 before the effect of hedges.

See below for a full discussion on the impacts of foreign currency on results.

SUMMARY OF NON-OPERATING INCOME

(000s except per share amounts)	**Fiscal 2003** **$**	Fiscal 2002 $
Sale of Nova Scotia-based fishing assets	**42,283**	-
Financing settlement costs	**(3,081)**	-
Write down of other fishing assets	**(5,947)**	-
Acquisition investigation costs expensed	**(1,287)**	-
Gain on disposal of fishing assets	-	3,043
Severance and costs on closing Lunenburg primary processing plant	-	(3,412)
Recovery of 1993 restructuring reserve	-	526
Non-operating items	**31,968**	157
Income taxes	**5,219**	1,998
After tax income from non-operating items	**37,187**	2,155
Basic earnings per share from non-operating items	**3.74**	0.22

[4] Earnings before interest, taxes, depreciation and amortization, litigation costs, foreign exchange, and other income as disclosed on the consolidated statements of income. Management believes that this is a useful performance measure as it approximates cash generated from operations, before capital expenditures and changes in working capital and excludes non-operating items. Operating EBITDA also assists comparison among companies as it eliminates the differences in earnings due to how a company is financed. However, Operating EBITDA does not have a standardized meaning prescribed by generally accepted accounting principles and therefore may not be comparable to similar measures presented by others. Operating EBITDA has been calculated and presented in a manner consistent with prior years.

[5] Exceptions are commodity sales from our Newfoundland plant and club store products produced in Lunenburg, Nova Scotia, both for the U.S. market. Labour, packaging and overheads for these products are in Canadian dollars and a strengthening Canadian dollar increases these costs in U.S. dollar terms.

OTHER INCOME

The following table shows other income recorded in 2003 and 2002 as well as reconciliation to the non-operating items and the basic earnings per share applicable to them.

These net non-operating gains resulted in a recovery of deferred income taxes due to the use of previously unrecorded capital loss carry forwards that substantially offset all of the capital gains in both 2003 and 2002. The deferred income tax recovery was recorded on the expensing of severance and other costs that are deductible from operating income for income tax purposes.

EARNINGS PER SHARE (EPS) COMPARISION

The table below summarizes our earnings per share before and after non-operating items for both 2003 and 2002.

	Fiscal 2003 $		Fiscal 2002 $	
	Basic	**Diluted**	Basic	Diluted
Earnings per share, based on net income	**4.52**	**4.13**	0.93	0.87
Less EPS impact of non-operating items	**(3.74)**	**(3.41)**	(0.22)	(0.20)
Earnings per share from regular operations	**0.78**	**0.72**	0.71	0.67

The following table reconciles our income and basic earnings per share as reported with income from regular operations.

Fiscal 2003	Pre-Tax $000s	Tax $000s	Net Income $000s	Shares 000s	EPS $
Income as reported	**45,999**	**120**	**46,119**	**9,945**	**4.64**
Less Preferred Dividends	**(1,143)**	**—**	**(1,143)**	**9,945**	**(0.12)**
Income available to Common Shareholders	**44,856**	**120**	**44,976**	**9,945**	**4.52**
Less non-operating income	**(31,968)**	**(5,219)**	**(37,187)**	**9,945**	**(3.74)**
Income from regular operations	**12,888**	**(5,099)**	**7,789**	**9,945**	**0.78**

Fiscal 2002	Pre-Tax $000s	Tax $000s	Net Income $000s	Shares 000s	EPS $
Income as reported	13,895	(3,653)	10,242	9,822	1.04
Less Preferred Dividends	(1,089)	—	(1,089)	9,822	(0.11)
Income available to Common Shareholders	12,806	3,653	9,153	9,822	0.93
Less non-operating income	(157)	(1,998)	(2,155)	9,822	(0.22)
Income from regular operations	12,649	(5,651)	6,998	9,822	0.71

BUSINESS SEGMENTS

Packaged Foods Operations

Our Packaged Foods division produces frozen foods sold under our own brands at retail and club stores, to the Canadian Food Service industry, and to retailers under their own private labels. The division continues to drive growth of both our sales and profitability. It focuses on being the preferred supplier of seafood and frozen pasta in chosen distribution channels. Our brands occupy leading positions in target markets.

The Canadian retail and food service businesses are headquartered in Toronto and sell High Liner® products throughout Canada. Italian Village® products are also sold in Ontario and Western Canada.

The U.S. operation's seafood processing facility in Portsmouth, New Hampshire produces foods under the Fisher Boy® and High Liner® brands, and a variety of private labels throughout the U.S. and Mexico. Our pasta production facility is located in Secaucus, New Jersey, and is a leading supplier of Italian-style frozen pasta products under the Gina Italian Village® and Floresta® brands throughout the U.S.

Overall Sales Highlights

2003 sales from our Packaged Foods business increased $16.0 million, or 6.0% over last year. Excluding the effects of foreign exchange, the sales growth was 12.0%, which approximates the increase in sales volume in the division. Sales growth in traditional Canadian Retail, U.S. club stores, private label, and Canadian Food Service, was offset by sales declines for Fisher Boy® and Gina Italian Village® in the U.S. The effects of the stronger Canadian dollar also decreased sales as noted.

Seafood

Canada:

High Liner® – Canadian Retail

[illegible]ales of our High Liner® brand products in Canada increased 8.5% in 2003 compared to last year, in part as a result of our continuing success in introducing healthier products that match consumers' preferences for taste, quality and convenience.

[illegible] High Liner Signature™ line continued to grow in 2003 by an average of 10.7%, as measured in pounds. In October, we began a seven-week national television advertising campaign in Canada to promote this line, which includes products such as our Salmon in a Roasted Garlic and Herb Sauce.

High Liner's seafood department sales grew by 47.5% in 2003 and 63.4% in 2002, over the previous year, as measured in pounds. In the first quarter of 2003, we launched Atlantic Salmon Fillets and Haddock Fillets in seafood departments. Selling products in the seafood department, rather than in the frozen food aisles, increases store presence and therefore increases sales and profit without impact on sales of our other products.

[illegible] late September 2003 we launched our Stir-Fry Creations™ [illegible]eals in a box", which feature shrimp, salmon or chicken with rice, vegetables, and an oriental, teriyaki or lemon sauce. Early response from both our customers and consumers has been positive.

In 2002 we launched Flavoured Breaded Sole Fillets, which contributed to sales increases in 2003. Sales of these products [illegible]e 35.0% higher in 2003 than in 2002, as measured in pounds.

In 2003, we became the primary seafood supplier to a new club customer in Ontario.

High Liner's Canadian overall market share[6] for the fifty-[illegible] 2003 was 44.0%, down from 45.6% for the comparable period last year. This slight decrease is due almost exclusively to the continued growth during the quarter of private label uncoated fillets, being sold by traders to the traditional retailers.

In 2004, we will grow sales of High Liner Signature™ and Stir-Fry Creations™ products through marketing and increased distribution, because these products directly respond to demographic trends and consumers' requests for nutritious and [illegible] products.

High Liner® – Canadian Food Service

Canadian food service sales in 2003 increased by 4.4% (excluding sales to a scallop customer lost on the sale of the Nova Scotia-based fishing assets), despite weakness in the hospitality sector, especially in the large Ontario market as a result of the SARS[7] crisis. Sales and marketing initiatives, together with new product introductions, were the primary drivers of this growth.

In the last half of 2003, Canadian food service launched a number of new products, including Alaskan Pollock Loins and Captain's Catch® Japanese Scallops, which should benefit both sales and income for this channel in 2004. Subsequent to year end, the Company learned that its Captain's Catch® Japanese Scallops won the 2003-2004 Canadian Grand Prix® New Product Award for the Meat, Poultry, Seafood and Eggs category as awarded by the Canadian Council of Grocery Distributors. Many of our new product successes in the retail division are adaptable to food service and vice versa, as consumer acceptance in one channel often translates to success in the other. We use this to our advantage.

In the recent past, our food service operations sold significant quantities of Atlantic sea scallops harvested by us. With the sale of our fishing fleets, our expertise in worldwide seafood procurement allows us to obtain high-quality products, such as our Captain's Catch® Japanese Scallops as well as continuing to supply our customers with Atlantic sea scallops.

In 2003, we focused on national and multi-national chain accounts, and increased sales and distribution. In 2004, we will do more of the same and have plans for several more new food service products.

United States:

U.S. Club Stores

In 2003, seafood sales to U.S. club stores increased 50.8%[8] compared with 2002. We delivered on our strategy to expand distribution and add new product offerings under the High Liner® brand. Sales to one customer increased more than 75% in 2003.

Growing sales to this key channel remains a strategic initiative for us going forward. We view the club store market as a venue for us to expand our distribution of premium quality seafood under the High Liner® brand in the U.S.

U.S. Traditional Grocery Stores

Fisher Boy®

Fisher Boy® sales decreased 3.2%[8] in 2003. However, the total volume of sales in pounds was equal to last year. In 2003 dollar sales were reduced by $2.1 million of additional listing allowances to obtain shelf space in launching new Fisher Boy® products and expanding distribution for existing products. We increased distribution through Publix®, Safeway and Winn-Dixie. These additional up-front listing allowances increased Fisher Boy®'s presence in the U.S. by increasing its ACV[9] from 50% to 54%. However, these initatives did not achieve the desired results, as our target ACV had been 60%. These listing allowances reduced both sales and profit compared to last year, and did not produce the sales increases projected. These costs in 2004 will be closer to more traditional levels.

[6] *Market share is estimated by ACNielsen® which tracks all Canadian basic grocery banner stores, excluding club stores/warehouses, and is measured in pounds. The category reported here is total frozen fish, which excludes all shellfish and entrees.*

[7] *Severe Acute Respiratory Syndrome*

[8] *As measured in U.S. dollars.*

[9] *All Commodity Volume (ACV) is a measure of the number of stores that carry these products.*

Fisher Boy®'s fish stick market share[10] for the fifty-two period ended December 27, 2003, declined to 19.9% from 23.7% for the same period last year. Sales were negatively affected by the bankruptcy of a customer that temporarily reduced distribution for these products and reduced profitability by $1.0 million. Additionally, market share was eroded by the launch of larger size private label products that directly compete with our fish sticks. To improve performance, we have implemented trade-spending changes for 2004. Fisher Boy®'s total market share[11] for the fifty-two period ended December 27, 2003 was 3.7%, down from 4.7% for the same period last year.

Some of the decrease in our Fisher Boy® business resulted in higher sales by our private label business, since we are the predominant supplier of private label frozen seafood in the U.S.

Despite challenges in 2003, Fisher Boy® is the most differentiated frozen seafood brand in the U.S., as determined by market research conducted early in 2003, appealing most strongly to young, busy families. We are leveraging this differentiation going forward in new marketing initiatives and product development to improve both sales and profitability.

Private Label

Our private label business consists of sales of products produced for a variety of retail grocery chains under the customer's logo or label to their specifications, rather than under our own brand.

U.S. private label sales increased 23.3%[8] in 2003 as we secured significant additional business from an existing customer and added two supermarket chain customers at the end of fiscal 2002 and the first quarter of this year. However, due to competitive pressures resulting from the consolidating retail channel, our margin on these sales declined in 2003 over 2002. Even so, our private label business is profitable and [illegible]

Italian Foods – United States and Canada

The market for our pasta products continued to remain challenging in the face of aggressive pricing, especially in the competitive New York market, as new brands constantly enter and exit the market at low price points. Sales for the frozen unsauced category as a whole continued to decline in 2003 in the absence of a strong category leader. The popularity of low carbohydrate diets also affected our business. However, our research tells us that the larger category of Italian foods presents many opportunities, which we are pursuing. Italian foods is one of the most popular ethnic food categories in North America, and our product development expertise will allow us to expand our product offerings to selections more in line with our strategy to provide taste, convenience, and quality. For example, more complete meals such as lasagna offer consumers the necessary taste and convenience that unsauced pasta does not deliver. Late in 2003, we launched lasagna to the U.S. club store channel, and we are developing more value-added premium Italian food products to grow this business.

In the first quarter of 2003, we launched our premium pasta line, Villa Prima®, in New York. Villa Prima® features innovative pasta stuffing flavours and sells at a higher price. This product has been well received by customers. During the year, we earned a national contract to exclusively supply private label frozen pasta to Albertsons, one of America's largest supermarket chains. After a successful launch of Italian Village® pasta products in Ontario last year, we launched Italian Village pasta in Western Canada in 2003. All major customers listed the products and sales have met expectations. Italian Village® has captured a significant share of these two Canadian markets.

Although first shipments of our Villa Prima® meat lasagna in the U.S. club channel were too late in the year to contribute significantly to sales, we expect lasagna sales to be an important component of our growth in sales to club stores in 2004.

Despite lower sales of unsauced pasta products in traditional grocery stores in the U.S., overall Italian foods sales in 2003, as measured in pounds, were equal to last year. We were successful in increasing sales in new channels, including club stores, private label and school food service. Our Canadian sales also increased as a result of the expanded distribution to Western Canada.

Gina Italian Village® continues to be the market leader in New York and the second largest selling brand in the U.S. In 2003 we incurred $0.6 million of additional listing allowances in launching new pasta products, primarily Villa Prima® in the U.S. and Italian Village® in Western Canada. These expenses have not yet increased sales, and therefore these additional costs reduced profitability in 2003.

Gina Italian Village®'s national market share[12] for the fifty-two week period ended December 27, 2003 decreased to 10.4% from 12.3% for the same period last year and results were similar in the New York area where our market share decreased slightly to 25.6% from 26.2%. For the four-week period ended December 27, 2003, Gina Italian Village®'s New York market share[12] increased 3.9 share points to 25.9%. In New York, Gina Italian Village® is the market leader with almost twice the market share of its closest competitor. In all of the U.S., Gina Italian Village® is the second largest selling brand. On the national front, growth of private label has resulted in a declining share for branded products.

Our Italian foods business continues to be a strategic initiative for High Liner. We see our business the way our customers do: the total Italian foods category and not just unsauced pasta. We are creating new, more convenient, value-added products, and expect sales to increase in club stores and

10 Market share is estimated by ACNielsen® which tracks all U.S. grocery stores with sales of U.S. $2.0 million or more and is measured in pounds. The category reported here is fish sticks only.
11 Market share is estimated by ACNielsen® which tracks all U.S. grocery stores with sales of U.S.$2.0 million or more and is measured in pounds. The category reported here is for all types of frozen seafood including fish and shellfish, whether breaded or unbreaded, but excludes seafood entrees.
12 Market share is estimated by ACNielsen® which tracks all U.S. grocery stores with sales of U.S.$2.0 million or more and is measured in pounds. The frozen pasta category reported here is frozen unsauced pasta, which includes ravioli, tortellini, stuffed shells, manicotti, gnocchi and cavatelli but excludes perrogies, frozen egg noodles and pasta entrees.

traditional grocery stores, both under our brands and under those of our customers. These products are also suited to selected food service channels, such as school food service.

Fishing Division

As previously reported, on May 21, 2003 we sold the majority of our Fishing division's assets, resulting in a gain of $42.3 million. Additional fishing assets were also written off in 2003 in the amount of $5.9 million as we exit the direct primary processing and harvesting business. Prior to the sale, this division included our groundfish and scallop fleets, based in Lunenburg, Nova Scotia, and our primary processing plant in Arnold's Cove, Newfoundland, and until December 2002 a primary processing operation in Lunenburg. The division harvested, procured and processed whole seafood into fillets as well as catching scallops. This division sold products, fresh and frozen, to fresh fish markets in Canada and the U.S., processors in Nova Scotia, the U.S. frozen commodity market, and to Europe. Prior to the sale of the Fishing assets, approximately 50% of this division's products were sold as raw material or finished goods to our Packaged Foods division.

Following the sale on May 21, 2003, only our primary processing plant in Arnold's Cove, Newfoundland and one offshore groundfish trawler remain. The division produces cod fillets from frozen headed and gutted cod imports and local Newfoundland inshore fish. The division continues to sell a small amount of fillets to fresh fish markets in Canada and a much larger quantity of frozen fillets to the U.S. club store channel (through our Packaged Foods division) and frozen commodity market, and to industrial markets in Europe.

In 2003, High Liner products for U.S. club stores accounted for 52.8% of the dollar value of our Fishing division's sales. This is expected to be higher in 2004 as we continue to exit non-strategic commodity sales channels.

Fishing division sales to external customers in 2003 were $33.1 million compared with $57.8 million in 2002. The decrease is due to the sale of the fishing assets. With the sale, the Company has substantially reduced its sales of fresh and frozen commodity products. Of the $33.1 million in sales, $7.6 million was from the operations sold.

Profitability for the Fishing division decreased in 2003 compared to last year, the result of the lower sales, a stronger Canadian dollar and higher raw material costs. Also the scallop fleet sold in May accounted for the majority of the profits of this division in 2002. As this division sells much of its production in U.S. dollars, the strengthening Canadian dollar reduces its sales and profitability. The Fishing division had an operating loss before interest, taxes, depreciation and amortization of $0.9 million, compared to operating EBITDA[4] of $7.6 million in 2002. Although Arnold's Cove procures raw material in U.S. dollars and thus benefits from the stronger Canadian dollar, a higher U.S. dollar cost for the raw material and lower Canadian dollar selling prices more than offset this benefit.

Included in the operating results for 2003 are sales of $7.6 million, and EBITDA[4] of $3.5 million relating to the fishing assets that were sold in the year.

Other Consolidated Results Items

Litigation Costs

As reported previously, we instituted legal action in 1998 against the vendors of the Gina Italian Village® business. We did not incur any significant costs associated with the litigation during 2003. In 2002 we incurred litigation costs of $2.7 million. All pre-trial discovery preparation was completed in 2002 and the litigation has been inactive in 2003, awaiting a trial date. The case has not yet been scheduled for trial. Should it proceed to trial in 2004, litigation costs could be similar to those of 2002.

More details about this case can be found in note 15 to the consolidated financial statements.

Interest

Interest expense in 2003 decreased $4.2 million over 2002, since we repaid substantially all long-term debt in 2003. The majority of the net proceeds from the sale of our Nova Scotia-based fishing assets in May 2003 were used to repay $52.8 million of long-term debt. As well, we redeemed the Convertible Subordinated Debentures in December, which further reduced interest expense in the fourth quarter.

Since December 28, 2002, we have reduced interest-bearing debt by $60.0 million to $11.4 million. Long-term debt at the end of 2003 consisted entirely of capital leases.

We expect our short-term bank loans to be lower in 2004 due to positive operating results, further lowering interest expense.

Other Income (see note 8 to the consolidated financial statements)

2003

The total selling price for the Nova Scotia-based fishing assets was $65.4 million. This sale resulted in a one-time pre-tax gain of $42.3 million, after the write down of all assets related to the fishing business, severance charges and other costs. In connection with this sale we also wrote down other fishing related assets that we did not sell resulting in a one-time pre-tax cost of $5.9 million. The Company used its capital loss carry forwards to offset the majority of the pre-tax capital gain and achieved a tax recovery on expenses and costs that are fully deductible for tax purposes.

We expect to expense additional amounts in 2004 through 2005 related to pensions for employees who were terminated when the sale closed. These additional costs relate to pension settlements that will be paid to former employees in 2004 and 2005, and which, according to CICA Handbook section 3461, can be expensed only when final settlement amounts are calculated and paid. We estimate that these payments will be approximately $0.5 million. When incurred, these costs will be recorded separately, outside of earnings from continuing operations.

We also incurred debt settlement pre-tax costs of $3.1 million on the early repayment of long-term debt, using proceeds from the sale of the Nova Scotia-based fishing assets.

We had accumulated costs in December 2002 and the first quarter of 2003 that we had deferred on the balance sheet relating to a potential acquisition. We expensed these costs, totaling $1.3 million, in 2003 as we concluded we would not complete the transaction. This is included on the income statement in "other income."

2002

In the fourth quarter of 2002, we closed our Lunenburg primary processing operations and sold redundant assets, recording a pre-tax loss of $0.4 million. On an after-tax basis, the closure resulted in a one-time gain of $0.17 per share due to favourable tax treatment (see below). Closure of this facility increased income in 2003 by approximately $1.5 million, primarily due to the elimination of losses incurred by this facility.

Also during the fourth quarter of 2002, we recorded a gain of $0.5 million relating to an amount recovered from an escrow arrangement in place since 1994 (arising out of a disposal of a French subsidiary).

Income Taxes

High Liner's effective income tax rate in 2003 is a recovery of 0.3%, compared to an expense of 26.3% for 2002, compared to our statutory rate of approximately 38%.

The low effective tax rate in 2003 is due to capital loss carry forwards for tax purposes from prior years applied to the capital gain on the sale of our fishing assets. Furthermore, only 50% of any capital gains not sheltered by the capital loss carry forwards were included in taxable income. These capital tax losses were not previously recorded in our accounts, but were disclosed in the notes to the consolidated financial statements. The impact of the capital gain and the use of unrecorded capital losses result in the reduction of income tax expense of approximately $17.0 million from the usual statutory rate. The Company has no further unrecorded capital losses.

The lower effective tax rate in 2002 is the result of capital gains from the closure of the Lunenburg primary processing operations and the amount recovered from escrow. Most of the costs associated with the Lunenburg primary processing closure were tax deductible. Capital loss carry forwards offset capital gains on the sale of assets. Capital loss carry forwards that were not recorded in the accounts also offset the capital gain on the disposal of a French subsidiary.

The major components of income tax expense and a reconciliation of the Company's effective tax rate are included in note 9 to the consolidated financial statements.

As the Company has recorded future income tax assets which are available to offset income taxes in future years, we do not expect to pay full Federal income taxes in Canada or the United States in cash until 2007. However, we do expect to pay some cash taxes in 2004 and later years in certain Canadian provinces and U.S. states, as we do not have significant tax losses or deductions to offset these.

SUMMARY OF RESULTS FOR THE FOURTH QUARTER ENDED JANUARY 3, 2004

Revenues totaled $75.6 million compared with $85.7 million for the same period in fiscal 2002. Lower sales are due to the sale of our Nova Scotia-based fishing assets earlier in the year, which reduced sales by $12.3 million. As well, the strengthening of the Canadian dollar reduced sales by $7.5 million over the same period last year, as discussed above.

Operating EBITDA[4] for the fourth quarter of 2003 amounted to $3.5 million, compared to $8.3 million for the same period last year. The decrease in earnings is the result of several factors. First, we incurred approximately $2.9 million in up-front expenses related to two significant marketing efforts in the fourth quarter: the recent launch of Stir-Fry Creations™ and the seven-week national television advertising campaign in Canada to promote the High Liner Signature™ line of premium seafood products, discussed above. While the costs of these initiatives were recorded in the fourth quarter of this year, and therefore reduced earnings, the anticipated positive impact on sales will not be fully realized until 2004. Although marketing costs were higher in the fourth quarter of 2003 than last year, this is a timing issue only as marketing expenses for 2003 were in line with other years as a percentage of sales to traditional retailers. Secondly, discontinued sales in our Fishing division after the asset sale decreased profitability. Thirdly, while difficult to quantify, labour strikes by grocery clerks in California and other U.S. locations disrupted fourth quarter business in the U.S. and reduced sales and profitability. A stronger Canadian dollar increased income in the fourth quarter as it reduced cost of sales for procured seafood.

In December, the Company recorded additional pre-tax costs of $2.3 million in connection with the sale of the Nova Scotia-based fishing assets described earlier. These additional costs related to severance, closing costs and other items based on more current information than was available when the sale closed.

Our effective tax rate for the fourth quarter of 2003 is 5.4%, lower than our statutory rate, due to a year end tax adjustment. The low effective rate for the comparable quarter in 2002 is the result of capital gains from the closure of the Lunenburg primary processing operations and an amount recovered from escrow, both offset by capital loss carry forwards. See note 9 to the consolidated financial statements.

During the quarter, we called our Convertible Subordinated Debentures for redemption, and as a result most holders converted the Debentures to common stock at the conversion price of $6.00 per share, resulting in an increase in Common Shares outstanding of 812,411. We redeemed our Class C and D Cumulative Redeemable Preference shares in December and, for the first time since 1989, paid a $0.05 quarterly dividend on the Company's Common Shares. See note 6 to the consolidated financial statements.

Readers are encouraged to visit our website at www.highlinerfoods.com for complete interim financial statements for the fourth quarter of 2003.

QUARTERLY FINANCIAL INFORMATION / SEASONALITY

Quarterly operating results for our Packaged Foods division fluctuate throughout the year. Summary information for each of the eight most recently completed quarters is presented in note 11 to the consolidated financial statements.

Related to the disposal of most of our fishing assets in May 2003, we recorded a gain, which substantially increased income in the second quarter of 2003. Subsequent to the sale, this transaction generally reduced sales and income in 2003, compared with that of 2002. Additional costs in connection with this transaction were also recorded in the fourth quarter of 2003.

Operating results in the first quarter are historically strongest as retailers promote seafood during the Lenten period. The fourth quarter is historically the second strongest quarter as several festive occasions occur during this time that increase demand for our products. The second and third quarters are more challenging. Consumers spend more time outdoors during the warmer months and use ovens less often, decreasing demand for our products.

As a retail-oriented business, we spend significant amounts on consumer advertising and new product launches. Although the related activities benefit more than one period, the related costs must be expensed when the initial promotional activity takes place. The accounting periods during which we choose to make these expenditures may change from year to year, and therefore there may be fluctuations in income related to these activities.

The following factors relate to fish harvesting and fresh fish sales. Although these factors are applicable in 2002 and in part of 2003, they will not be as applicable in future years as a result of the sale of substantially all of our Nova Scotia-based fishing assets on May 21, 2003. The first quarter is typically the strongest period for groundfish harvesting and fresh fish sales. The second and third quarters have the poorest catch rates, highest fishing costs for our fleet, and the highest level of competition in the fresh fish market from inshore fleets. The fourth quarter is ordinarily the second most profitable as increased fall and winter fishing activity generates increased profits.

Going forward, we expect seasonality to be similar to past trends. However, variations will be less pronounced. We expect earnings and sales for the first quarter of 2004 to be lower than those of the same period in 2003, as the 2003 results contained the operations of the Nova Scotia-based fishing assets that were sold in the second quarter of 2003. Additionally the conversion of our U.S. dollar sales into Canadian dollars will reduce sales due to the continued decrease in the average exchange rates year over year.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Cash flow provided by operations before changes in non-cash working capital items for 2003 decreased from the same period last year, the result of lower earnings from operations. Net changes in non-cash working capital balances related to operations used cash of $9.4 million compared to cash provided of $10.0 million in the same period last year. Accounts receivable decreased during the year, offset by an increase in inventory and a decrease in accounts payable from operations. Note that this is not evident on the balance sheet as working capital items at the end of 2003 are impacted by a lower exchange rate than at the end of 2002.

Free cash flow[13] was $4.3 million for 2003, down from $22.9 million for the rolling four quarters ended December 28, 2002. Cash flow from operations decreased by $1.4 million during the most recent rolling four quarters due to a decrease in EBITDA[4], offset in part by lower interest expense as noted earlier. Capital expenditures increased $2.4 million over the same period due to modernization of both the Portsmouth and Lunenburg secondary processing facilities. High free cash flow for 2002 reflected a reduction of inventory of $11.0 million. Inventory levels since December 28, 2002 increased by $3.9 million.

Capital expenditures for 2003 were $7.2 million compared to $4.9 million last year. Capital projects in 2003 included the connection of our Lunenburg plant sanitary discharge to the Town's new municipal sewage treatment facilities. This project significantly reduces our impact on the local environment. Other capital expenditures in 2003 improved our facilities and equipment.

Included in capital expenditures for 2003 are $0.5 million relating to our fishing operations, compared to $1.5 million for all of last year. We do not expect to incur capital expenditures in 2004 for our remaining fishing operations.

We plan to invest approximately $6.2 million in capital in 2004. Projects planned for 2004 will upgrade facilities, and continue to reduce production costs and/or improve production efficiency. Cash generated from operations will fund capital additions in 2004.

Financial Condition

Our financial condition improved significantly in 2003. Since December 28, 2002, we have reduced interest-bearing loans by $60.0 million. Much of the improvement is the result of the repayment of long-term debt from the proceeds of the sale of the Nova Scotia-based assets as described above. In addition, $4.9 million of Convertible Subordinated Debentures were converted to Common Shares at $6.00 per share in December 2003, as noted above.

[13] Free cash flow is defined as cash from operations, reduced by capital expenditures and adjusting for changes in working capital (excluding changes in cash, marketable securities, and short-term debt). Management believes this is a useful performance measure as it approximates cash available to pay dividends. However, free cash flow does not have a standardized meaning prescribed by generally accepted accounting principles and therefore may not be comparable to similar measures presented by others. Free cash flow has been calculated and presented in a manner consistent with prior years.

We redeemed $1.2 million of Class C and D Cumulative Redeemable Preference shares at their par value of $5.00 per share, plus accrued dividends. The redemption price was paid in cash, drawn on our operating line. We redeemed both the Debentures and the Class C and D Shares to simplify our capital structure.

New long-term debt in 2003 and 2002 relates to capital leases for equipment purchases. Excluding a significant event, such as an acquisition, no other long-term debt will be required in 2004. We do plan, however, to enter into capital leases of less than $1.0 million in 2004 for vehicles and other equipment.

In the second quarter of 2003 we prepaid long-term debt and incurred early payment penalties of $2.1 million. Financing costs of $0.4 million deferred on the balance sheet relating to these debt facilities were also written off at that time. In addition, we extinguished some fixed-for-floating interest rate swap agreements, resulting in a pre-tax loss of $0.6 million. These costs of $3.1 million in total are included on the income statement in other income.

Accounts receivable include $1.0 million and accounts payable include $4.3 million recorded on the sale of the fishing assets in May 2003. This will reduce over time until fully extinguished in 2005.

Our working capital debt bears interest at floating rates. A $35.0 million operating line in Canada is at prime or LIBOR[14] plus 0.75% or Banker's Acceptances (BA) plus 1.00%. A US$7.0 million operating line in the U.S. subsidiary is at U.S. prime or LIBOR plus 2.25%. These operating lines total $44.0 million and borrowings under these lines at year-end were $10.3 million compared with $6.0 million at the previous year-end.

At January 3, 2004, our available credit on pre-arranged short-term working capital borrowing facilities was $22.0 million and is more than sufficient to cover expected working capital requirements for 2004. We expect borrowings on these operating lines during 2004 to be minimal after the first quarter.

Subsequent to year end, we entered into a letter of credit in the amount of US$2.6 million to secure obligations for the purchase of seafood.

With a strong balance sheet, we are well positioned to execute our strategy in 2004 and beyond.

Note 5 to the consolidated financial statements includes a table showing the required principal repayments for 2004 and later years. These payments are on account of capital leases. Other than capital leases, we do not have any significant purchase obligations. With respect to other long-term obligations, we have obligations to employees under pension plans and other similar retirement benefits. These are disclosed in note 12 to the consolidated financial statements.

Dividends

Current year dividends on the Second Preference Shares in the amount of $1.1 million were paid in full in 2003. In 2002, this amounted to $1.0 million. Dividends in arrears on the Second Preference Shares in the amount of $6.3 million for the period from December 31, 1992, to December 31, 1997, were also paid in the second quarter of 2003. Dividends in arrears on the Second Preference Shares in the amount of $1.4 million for the period from December 31, 1991, to December 30, 1992, were paid in the fourth quarter of 2002. All dividends on these shares are now current.

Dividends on the Class C and D Cumulative Redeemable Preference Shares were paid in full in both 2003 and 2002. These shares were redeemed in December of 2003.

For the first time since 1989, we declared and paid a quarterly dividend to holders of the Company's Common Shares, and declared an intention to continue to do so for the foreseeable future. The implementation of this policy reflects our consistent positive performance as we focus on growing the Packaged Foods division, together with significant improvements in our balance sheet. The initial dividend of $0.05 per common share was paid on December 15, 2003 to shareholders of record on December 1, 2003. This dividend totaled $0.5 million.

ADOPTION OF NEW ACCOUNTING STANDARDS

During 2003, we did not adopt any new accounting standards. As such, the financial statements as presented are comparable to 2002.

In 2002, we adopted the Canadian Institute of Chartered Accountants (CICA) new Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments. As permitted by the new recommendations, we disclosed the impact of stock-based compensation on earnings per share in both 2002 and in 2003. In the first quarter of 2004, we will adopt new accounting standards resulting from amendments to Section 3870 pertaining to stock options. At that time we will record the cost of our stock-based compensation in our accounts. To preserve comparability, the change will be accounted for retroactively to 2002 as permitted by Section 3870.

The cost of stock options in 2003 and 2002 was $0.3 million, or approximately $0.03 per share. We will be adopting the CICA Handbook Section 3870, fully expensing stock options in 2004. Prior periods will be restated back to 2002 in the first quarter of 2004. At this time, we estimate that the cost of stock options in 2004 will be approximately $0.4 million, or $0.04 per share.

In 2002 we changed our Segmented Information disclosure. Previously, we segmented results by geography. The presentation adopted in 2002 and continued into 2003 segments the Company between Packaged Foods and Fishing. Prior to

[14] *LIBOR stands for London inter-bank offered rate. This is the interest rate that the largest international banks charge each other for loans, usually of Eurodollars*

2002, the Canadian Packaged Foods and Fishing operations were integrated, selling the fishing production through Retail and Food Service markets in Canada and the U.S. Beginning in 2002, the integration between Fishing and Packaged Foods had declined to a point where the economic considerations of the Canadian retail and food service business were much more aligned with the Company's U.S. operations. The Fishing division had become more of a commodity operation, quite different from Packaged Foods. With the sale of substantially all of our fishing operations in 2003, we intend to return to segmenting results by geography in 2004. Our processing facility in Arnold's Cove, Newfoundland, part of our Fishing division in 2002 and 2003, will be part of our Packaged Foods operations in 2004 as it reduces its production to produce items almost exclusively for club stores. We have continued the segmentation between Packaged Foods and Fishing for 2003 in order to better compare 2003 results with those of 2002 and to show the effect of the sale of substantially all of the Fishing division's assets in 2003.

OTHER ITEMS

Transactions with Related Parties

The Company's business is carried on through the parent company, High Liner Foods Incorporated, and a wholly owned operating subsidiary, High Liner Foods (USA) Incorporated. These two companies purchase and/or sell inventory between them, and do so in the normal course of operations. As well, the parent company provides management and information technology services to the subsidiary, and sometimes lends it money. Periodically, capital assets are transferred between companies. On consolidation, revenue, costs, gains or losses, and all inter-company balances, are eliminated.

Critical Accounting Estimates

We necessarily use accounting estimates to determine an allowance for doubtful accounts receivable, estimate amounts owing to customers for various sales and marketing costs, and other costs to be invoiced to us after period end but relating to the accounting period in question. These estimates involve professional judgment but are relatively easy to determine. If final amounts differ from estimates, it is expected to have little or no impact on our financial condition.

We have $5.4 million recorded on our balance sheet at January 3, 2004 representing indemnity claims receivable against the vendors of our pasta business. We expect to recover these claims in litigation, and an escrow account of $7.6 million exists from which these claims could be paid.

Outstanding Share Data

Detailed information regarding the designation and number of each class of shares outstanding and of each class of security convertible into shares is disclosed in note 6 to the consolidated financial statements.

RISK

Procurement

We are dependent upon the procurement of frozen raw seafood materials and finished goods on world markets. The Canadian operation buys as much as $100 million and the U.S. operation buys approximately $25 million of this product annually. Prices can fluctuate and there is no formal commercial mechanism for hedging either sales or purchases. Purchases of seafood on global markets are principally in U.S. dollars. We hedge exposures to currency values, and we enter into supply contracts when possible.

Procurement by our Canadian operations has increased, in part, due to the sale of our Nova Scotia-based fishing assets. Scallops previously harvested by our fleet are now procured. As well, value-added finished goods are increasingly procured, as it is economical to do so.

In 2003 we were able to purchase our requirements for all species at prices similar to or less than 2002. We expect that 2004 prices will be similar to 2003. A detailed discussion on seafood raw material can be found in our 2003 Annual Information Form available at www.highlinerfoods.com.

Supplier Risk

As we now purchase almost all seafood that we sell, we have developed close relationships with key suppliers. These suppliers obtain seafood from around the world. We currently purchase significant quantities of frozen raw material and finished goods originating from Asia, most notably China, Russia, Norway, the United States, the United Kingdom, Chile and Uruguay. Our supplier base is diverse to ensure no over-reliance on any source.

Customer Risk

We sell the vast majority of our products to large food retailers in North America and food service distributors in Canada. The food distribution industry is consolidating. Our customers are getting larger, more sophisticated and want to conduct business with sophisticated, reliable suppliers. We are an important supplier to our customers because we can transact business on their terms. We must continue to grow and stay ahead of customer expectations in order to continue to be important to them. We currently have one customer that represents slightly more than 15% of our sales.

Foreign Currency

Overview

High Liner Foods is affected by foreign currency fluctuations in a number of ways. First, about half of the Company's sales are denominated in U.S. dollars. As such, fluctuations in exchange rates impact the translated value of sales. Secondly, most of the items we sell in Canada have U.S. dollar denominated raw material costs as we procure these on world markets in U.S. dollars. Thirdly, some items we produce in Canada and sell in the U.S. are affected by exchange fluctuations. Lastly, items on our balance sheet are affected by exchange rates.

Income Statement Effects of Foreign Currency

High Liner Foods operates a subsidiary in the U.S. Its domestic currency is U.S. dollars. In addition, some sales of the Canadian company were transacted in U.S. dollars. Because we report our financial results in Canadian dollars, a strengthening Canadian dollar has the immediate effect of reducing the Canadian dollar value of U.S. dollar denominated sales. In 2003, these U.S. dollar denominated sales comprised more than 48% of our total sales. In 2004, our U.S. dollar denominated sales are expected to be approximately 50% of our sales.

The impact of foreign currency changes on earnings is not equal to the change in sales due to exchange rate fluctuations. A stronger Canadian dollar is beneficial to earnings, because the majority of sales in U.S. dollars have U.S. dollar denominated input costs, and are thereby substantially hedged. This is true for our U.S. subsidiary where changes in exchange rate only affect the conversion of profit earned by it. However, for commodity sales from our Newfoundland plant and club store products produced in Lunenburg destined for the U.S. market, where labour, packaging and overheads for these products are purchased in Canadian dollars, a strengthening Canadian dollar increases these costs in U.S. dollar terms.

The raw material for products sold in Canadian dollars and for the Canadian operation's sales in the U.S. is purchased substantially in U.S. dollars. A strengthening Canadian dollar reduces the cost of these raw materials. Our exposure on purchases for the Canadian marketplace exceeds our sales of products produced in Canada for the U.S. market by US$34.0 million on an annual basis. We do not benefit from the total change in the Canadian dollar when competitive factors come into play, as they do in our Canadian food service business. Our Canadian food service competitors use the lower Canadian dollar costs of imported products to cut prices to compete with us, and we must therefore pass on some of the cost reductions to retain market share.

Going into 2004, approximately US$19.0 million [illegible] Canadian operation's sales are in U.S. dollars. In addition, up to US$83.0 million of purchases of raw material and finished goods for the Canadian operation are acquired with U.S. funds. [illegible] of these U.S. dollar purchases are also sold in U.S. dollars.

In 2004, Canadian purchases of raw material and finished goods in U.S. dollars and the conversion of U.S. subsidiary income are expected to generate a US$34.0 million foreign exchange exposure. The net effect of a $0.01 change in the U.S. dollar exchange rate for the Canadian dollar, prior to hedging activities, is a change in after-tax income of approximately $200,000.

In order to minimize foreign exchange risk, we undertake hedging activities using various derivative products in accordance with an internal policy on managing derivative usage and risk. Our policy to reduce our exposure on U.S. dollars is to hedge forward twelve months; at 80-90% of exposure for the first three months, 70-80% for the next three months, 60-70% for the next three and 20-40% for the last three.

Details on the hedges in place on January 3, 2004 are included in note 1 to the consolidated financial statements.

Balance Sheet Effects of Foreign Currency

As we have operations in the United States, and monetary assets and liabilities in Canada that are denominated in U.S. dollars, assets and liabilities of the consolidated company change as exchange rates fluctuate. At January 3, 2004 the Canadian dollar strengthened by 21.6% from its value at December 28, 2002. This has decreased the carrying value of items such as accounts receivable, inventory, fixed assets, goodwill and accounts payable. The net offset of these changes flows through the foreign currency translation account in shareholders' equity on the balance sheet. Due to the stronger Canadian dollar, the foreign currency translation account on the balance sheet has decreased shareholders' equity by $10.2 million since December 28, 2002.

Cost of Fuel

Our operating costs are affected by changes in crude oil prices, which particularly influence the costs of our outgoing freight. As a result of higher crude oil prices in 2002 and 2003, freight costs have increased and our freight suppliers have added fuel surcharges in recent years. Currently, none of this exposure is hedged, although hedges are used from time to time.

Food Safety

As a supplier of food products, we must be vigilant is ensuring our products are safe and comply with all applicable laws and regulations. Consumers are also increasingly better informed about conscientious food choices.

At High Liner, food safety is our top priority. All of our processing plants have the proper State or Provincial and Federal licenses to operate.

The United States requires its seafood processing plants to adopt a quality management plan known as HACCP (Hazard Analysis of Critical Control Points). Our plant in Portsmouth, New Hampshire was one of the first plants to have an approved Seafood HACCP plan in the U.S. and to pass a HACCP audit. The plant is regularly inspected and meets or exceeds all requirements.

In Canada all seafood processing plants are required to adopt a Quality Management Plan (QMP) covering the regulatory and safety aspects of food processing. High Liner's QMP has been approved by the Canadian Food Inspection Agency and is in good standing since inception of this requirement. Canada's QMP is an accepted standard under the U.S. HACCP system.

Plants outside of North America must also pass HACCP audits to be able to export products to the U.S. All of the Company's non-North American suppliers are HACCP approved plants. The Canadian Food Inspection Agency (CFIA) must inspect food that is procured outside of Canada. The Food and Drug Administration (FDA) inspects food that enters the United States. In addition, all purchases are subject to quality inspection by the Company's own quality inspectors. We have strict specifications for suppliers of both raw material and finished goods to ensure that procured goods are of the same quality as products made in our own plants.

We employ several experts in this area, including food scientists, quality technicians, raw material inspectors, and labelling and nutritional consultants. We also have a supplier code of conduct and retain independent auditors to monitor compliance.

OUTLOOK FOR 2004

We look forward to delivering continued growth in 2004 as a Company that is focused solely on providing high quality, value-added frozen seafood and complementary products to the grocery, club and food service markets.

Our strategy is focused on expanding our customer base for existing products, entering new markets and offering innovative, new products to our consumers. We anticipate a number of key product launches throughout the year as we continue to respond to our consumers' preferences for quality, taste and convenience. Additionally, we expect to see the positive effect of the stronger Canadian dollar, as well as our lower debt levels, reflected in our earnings.

Although sales and earnings in the first quarter of 2004 may be lower than the same quarter of 2003 due to the sale of the fishing assets, we look forward to delivering continued growth in earnings for all of 2004 compared to last year.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, including sales, earnings and profitability comments for 2004 and beyond. These statements contain words such as "anticipate", "expect", "could", "should", "may", "plans", "will", or similar expressions that are based on and arise out of our experience, our perception of trends, current conditions and expected future developments as well as other factors. The statements are not a guarantee of future performance. By their nature, forward-looking statements involve uncertainties and risks that the forecasts and targets will not be achieved.

Readers are cautioned not to place undue reliance on forward-looking statements, as a number of important factors, as discussed herein and in our other continuous disclosure documents, could cause actual results to differ materially from those expressed in such forward-looking statements. We include in publicly available documents filed from time to time with securities commissions, and The Toronto Stock Exchange, a thorough discussion of the risk factors that can cause anticipated outcomes to differ from actual outcomes. We disclaim any intention or obligation to update or revise forward-looking statements.

ADDITIONAL INFORMATION

Additional information related to the Company, including our Annual Information Form, is on SEDAR at www.sedar.com and on our website at www.highlinerfoods.com.

Auditors' Report

To the Shareholders of

High Liner Foods Incorporated

We have audited the consolidated balance sheets of High Liner Foods Incorporated as at January 3, 2004 and December 28, 2002 and the consolidated statements of income, retained earnings and cash flows for the periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 3, 2004 and December 28, 2002 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Halifax, Canada
January 23, 2004

Management's Responsibility for Financial Reporting

Kelly L. Nelson
Vice President Corporate Services
and Chief Financial Officer

The Management of High Liner Foods Incorporated includes corporate executives, operating and financial managers and other personnel working full-time on Company business. The statements have been prepared in accordance with generally accepted accounting principles consistently applied, using Management's best estimates and judgments, where appropriate. The financial information elsewhere in this report is consistent with the statements.

Management has established a system of internal control which it believes provides a reasonable assurance that, in all material respects, assets are maintained and accounted for in accordance with Management's authorization and transactions are recorded accurately on the Company's books and records. The Company's internal audit program is designed for constant evaluation of the adequacy and effectiveness of the internal controls. Audits measure adherence to established policies and procedures.

The Audit Committee of the Board of Directors is composed of five outside directors. The Committee meets periodically with management, the internal auditor and independent chartered accountants to review the work of each and to satisfy itself that the respective parties are properly discharging their responsibilities. The independent chartered accountants and the internal auditor have full and free access to the Audit Committee at any time. In addition, the Audit Committee reports its findings to the Board of Directors which reviews and approves the consolidated financial statements.

K L Nelson

K.L. Nelson
Vice President Corporate Services
and Chief Financial Officer

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(000s)	January 3, 2004 $	December 28, 2002 $
ASSETS		
Current:		
Cash	**926**	1,088
Accounts receivable *(note 2)*	**31,840**	35,001
Inventories *(note 2)*	**49,870**	50,053
Prepaid expenses	**1,502**	1,600
Future income taxes *(note 9)*	**7,525**	6,991
Total current assets	**91,663**	94,733
Property, plant and equipment *(note 3)*	**27,492**	44,303
Other:		
Goodwill	**45,781**	55,661
Deferred charges	**8**	931
Future income taxes *(note 9)*	**7,282**	5,037
Other receivables and sundry investments *(note 15)*	**5,513**	6,702
	58,584	68,331
	177,739	207,367
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current:		
Bank loans *(note 4)*	**10,252**	5,960
Accounts payable and accrued liabilities *(note 4)*	**37,424**	42,490
Current portion of long-term liabilities *(note 5)*	**328**	15,919
Total current liabilities	**48,004**	64,369
Long-term liabilities *(note 5)*	**845**	49,395
Employee future benefits *(note 12)*	**1,143**	571
Future income taxes *(note 9)*	**6,351**	4,004
Shareholders' Equity:		
Preference Shares *(note 6)*	**20,000**	21,246
Common Shares *(note 6)*	**34,030**	28,361
Retained earnings	**75,259**	37,080
Foreign currency translation account *(note 7)*	**(7,893)**	2,341
	121,396	89,028
	177,739	207,367

See accompanying notes to the financial statements.

On behalf of the Board

Henry E. Demone
Director

David J. Hennigar
Director

CONSOLIDATED STATEMENTS OF INCOME

For the fifty-three weeks ended January 3, 2004
(with comparative figures for the fifty-two weeks ended December 28, 2002)

(000s except per share amounts)	Fiscal 2003 $	Fiscal 2002 $
Sales	**315,879**	324,458
Cost of sales	**251,372**	254,461
Gross Profit	**64,507**	69,997
Selling, general and administrative expenses	**44,330**	41,606
Earnings before interest, taxes, depreciation, amortization and the undernoted (Operating EBITDA)	**20,177**	28,391
Litigation costs	**(42)**	(2,655)
Depreciation	**(3,911)**	(5,643)
Interest expense:		
Short-term	**(53)**	(252)
Long-term	**(2,320)**	(6,334)
Foreign exchange gains	**58**	32
Other income	**122**	199
Non-operating transactions *(note 8)*	**31,968**	157
Income before income taxes	**45,999**	13,895
Income taxes *(note 9)*		
Current	**(110)**	(287)
Future	**230**	(3,366)
Total income taxes	**120**	(3,653)
Net income for the period	**46,119**	10,242
PER SHARE INFORMATION		
Earnings per Common Share *(note 10)*		
Basic	**4.52**	0.93
Diluted	**4.13**	0.87
Average Common Shares Outstanding *(note 10)*		
Basic	**9,945,101**	9,822,044
Diluted	**10,940,861**	10,769,929

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the fifty-three weeks ended January 3, 2004
(wth comparative figures for the fifty-two weeks ended December 28, 2002)

(in thousands of Canadian dollars)	Fiscal 2003 $	Fiscal 2002 $
Balance, beginning of period	**37,080**	29,289
Net income for the period	**46,119**	10,242
Dividends		
Common Shares	**(537)**	-
Second Preference Shares		
Current	**(1,078)**	(1,017)
Arrears	**(6,260)**	(1,362)
Class C and D Preference Share	**(65)**	(72)
Balance, end of period	**75,259**	37,080

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the fifty-three weeks ended January 3, 2004
(wth comparative figures for the fifty-two weeks ended December 28, 2002)

(000s)	Fiscal 2003 $	Fiscal 2002 $
Cash provided by (used in) operations:		
Net income for the period	**46,119**	10,242
Charges (credits) to income not involving cash from operations:		
Depreciation and amortization	**3,992**	5,850
Gain on asset disposals	**(39,699)**	(3,569)
Non-cash severance and other costs	**7,609**	3,272
Future income taxes	**(230)**	3,366
Cash flow from operations before changes in non-cash working capital	**17,791**	19,161
Net change in non-cash working capital balances	**(9,441)**	10,033
	8,350	29,194
Cash provided by (used in) financing activities:		
Change in current bank loans	**4,291**	(11,224)
Long-term debt proceeds	**379**	268
Repayments of long-term debt	**(54,416)**	(15,841)
Funding of employee future benefits less than expense	**656**	19
Dividends paid		
Preferred	**(7,403)**	(2,451)
Common	**(537)**	-
Debt settlement cost	**(2,706)**	-
Foreign exchange translation	**(399)**	(51)
Redemption of C and D Preference Shares	**(1,246)**	-
Issue of equity shares	**794**	179
	(60,587)	(29,101)
Cash provided by (used in) investing activities:		
Purchase of property, plant and equipment	**(7,239)**	(4,869)
Proceeds on disposal of non-current assets	**60,105**	4,631
Decrease (increase) in other assets	**(791)**	645
	52,075	407
Increase (decrease) in cash during the period	**(162)**	500
Cash, beginning of period	**1,088**	588
Cash, end of period	**926**	1,088

See accompanying notes to the financial statements.

Notes to Consolidated Financial Statements

1 SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared on the historical cost basis in accordance with Canadian generally accepted accounting principles.

Basis of Consolidation

The accompanying financial statements consolidate the accounts of the Company and all its subsidiary companies.

Fiscal Year

The Company's fiscal year is on the Saturday closest to December 31. This results in a 53 week year-end every five to seven years as recorded in 2003.

Inventory Valuation

Inventories are valued at the lower of cost (includes raw materials, direct labour and overhead) and replacement cost (finished goods at net realizable value) with cost determined principally on a first-in, first-out basis.

Foreign Currency

Unless otherwise noted, all amounts in these financial statements are in Canadian dollars.

Assets and liabilities of the U.S. subsidiary operation, which is financially and operationally independent of the parent, are translated at exchange rates prevailing at the balance sheet date. The revenues and expenses are translated at average exchange rates prevailing during the year. The gains and losses on translation are deferred and included as a separate component of shareholders' equity entitled "foreign currency translation account" until there is a realized reduction in the net investment.

Up to April 25, 2003 the Company's net investment in its U.S. subsidiary was partially hedged by long-term borrowings in U.S. dollars of U.S.$12.0 million (December 28, 2002; U.S.$12.0 million). Gains and losses on the U.S. dollar debt identified as a hedge against this investment were included in equity through the "foreign currency translation account" to offset gains and losses on the net investment in the U.S. subsidiary. At January 3, 2004, the Company's net investment in its U.S. subsidiary was US$53.2 million (December 28, 2002; US$41.1 million).

Foreign currency denominated assets and liabilities of Canadian operations are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Gains or losses on translation are included in income.

Property, Plant and Equipment

Property, plant and equipment is carried at the lower of cost, net of accumulated depreciation, and net recoverable amount. Depreciation is provided on the straight-line basis at the following rates per annum:

Brick buildings	2 1/2%
Other buildings	2 1/2% to 5%
Computer and electronic equipment	25%
Machinery and equipment, other	6 2/3%
Equipment under capital lease	Lease term

Deferred Charges

Deferred charges represent software maintenance fees. These are amortized over the remaining term of the item to which they relate. Deferred charges are stated at cost net of accumulated amortization. Amortization expense during the year amounted to $103,000 (2002; $247,000).

Stock Compensation

The Company does not record compensation expense when stock or stock options are issued. However, the Company is disclosing the pro-forma net income and pro-forma earnings per share using the fair market value method of accounting for stock-based compensation awards. This pro-forma information is presented in note 10.

Goodwill

Goodwill is stated at cost net of accumulated amortization. Goodwill is not amortized. Instead, the Company performs an impairment test annually or when an event or circumstance occurs which more likely than not reduces the fair value of the reporting unit below its carrying amount to ascertain whether goodwill impairment exists. Any impairment provision would be charged to income in the year the impairment occurs. There was no goodwill added during 2003 or 2002.

Employee Benefit Plans

The Company accrues its obligations under employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the pension plan is 20 years. The average remaining service period of the active employees covered by the other benefits plan is 6 years.

Financial Instruments

Derivative financial instruments are utilized by the Company in accordance with a written policy to manage its foreign currency and interest rate exposures. The Company does not use derivative financial instruments for trading or speculative purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. The Company has a policy of hedging up to 60% of a rolling 12 month projected foreign currency cash flows.

Realized and unrealized gains or losses associated with derivative instruments which have been terminated or cease to be effective prior to maturity are recognized in income.

The Company periodically enters into foreign exchange contracts to hedge future cash flows. The contracts are valued at rates prevailing at the balance sheet date. The resulting gains and losses on these contracts are not recognized until the hedged cash flows are realized. At year end, the Company had the following foreign exchange contracts outstanding all with maturities of less than one year.

January 3, 2004		December 28, 2002	
Sell	Receive	Sell	Receive
£676,608	$1,535,805 Cdn	£370,648	$914,321 Cdn
US$11,725,000	$15,748,405 Cdn	€223,529	$348,862 Cdn

The Company entered into several foreign exchange rate contracts, all with maturities of 12 months or less, that protect the Company from significant exchange rate fluctuations. Where the exchange rate falls between the put and call rates ("collars") the Company buys/sells U.S. dollars at the current spot rate.

If the exchange rate rises above the call rate, the Company buys/sells U.S. dollars at the call rate. Conversely, if the exchange rate falls below the put rate, the Company buys/sells U.S. dollars at the put rate.

At January 3, 2004, the Company had the following total purchase contracts outstanding:

Weighted Average Put Rate	Weighted Average Call Rate	Total USD Value
1.3072	1.3451	$50,050,000

At January 3, 2004, the Company had the following total sell contracts outstanding:

Weighted Average Put Rate	Weighted Average Call Rate	Total USD Value
1.2950	1.3225	$5,350,000

The Company's primary financial instruments consist of receivables, investment tax credits, current liabilities and long-term debt. The difference between the carrying values and the fair market values of the primary financial instruments are not material due to the short-term maturities and, or the credit terms of those instruments.

Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

Sales are recognized in income when the related products have been shipped to customers. Revenue is recorded net of various customer marketing costs including listing allowances (slotting), volume rebates, cooperative advertising and various other trade marketing costs, as well as the redemption cost of consumer coupons.

2 CURRENT ASSETS

(a) Accounts Receivable

(000s)	January 3, 2004 $	December 28, 2002 $
Canadian Trade	14,952	14,213
U.S. Trade (US$10,897; 2002: US$11,634)	14,058	18,246
Other	2,830	2,542
	31,840	35,001

(b) Inventories

(000s)	January 3, 2004 $	December 28, 2002 $
Finished goods	24,143	24,240
Raw and semi-finished material	21,007	16,278
Retail stores	-	1,026
Supplies and repair parts	4,720	8,509
	49,870	50,053

3 PROPERTY, PLANT AND EQUIPMENT

(000s)	January 3, 2004 $	December 28, 2002 $
Land	240	322
Buildings	26,688	28,223
Equipment	61,927	64,813
Equipment under capital lease	2,117	1,804
Vessels	3,891	33,391
	94,863	128,553
Less accumulated depreciation:		
Buildings	18,202	18,178
Equipment	44,453	42,800
Equipment under capital lease	825	522
Vessels	3,891	26,939
	67,371	88,439
Non-operating assets held for sale	-	4,189
	27,492	44,303

4 CURRENT LIABILITIES

Bank Loans

(000s)	January 3, 2004 $	December 28, 2002 $
Bank loans, denominated in Canadian dollars not exceeding prime (average rate at 2003 year end 3.76%; 2002 year end 4.5%)	2,004	603
Bank loans, denominated in U.S. dollars not exceeding U.S. base rate (average rate at 2003 year end 2.46%; 2002 year end 4.75%)	8,248	5,357
	10,252	5,960

The Company has pledged as collateral for its bank loans a general assignment of accounts receivable and inventory. The Company has the option of borrowing using bankers acceptances (BAs), LIBOR or prime loans and borrows using the lowest cost instruments, usually LIBOR or BAs.

Accounts Payable and Accrued Liabilities

(000s)	January 3, 2004 $	December 28, 2002 $
Canadian payables	17,917	20,641
U.S. payable (US$10,960; 2002 US$12,045)	14,138	18,891
Other	5,369	2,958
	37,424	42,490

Accounts payable bear normal commercial credit terms and are non-interest bearing.

5 LONG-TERM LIABILITIES

(000s)	January 3, 2004 $	December 28, 2002 $
Notes payable due to 2005 (i)		
At 8.28% (US$0; 2002 US$10,200)	-	15,998
At 7.78%	-	14,464
Note payable not exceeding U.S. prime due to 2005		
(US$0; 2002 US$14,800) (i)	-	23,212
Vessel mortgage due 2006 at 7.5% (ii)	-	5,502
Convertible Subordinated Debentures (iii)		
At prime plus 2% due to 2006	-	4,897
Capital leases at 5.10% to 8.67% due 2004 to 2008	1,173	1,226
Other loans	-	15
	1,173	65,314
Less current installments	328	15,919
	845	49,395

(i) The Company had pledged as collateral for the notes payable a fixed charge on certain vessels, plants and equipment. The proceeds from the sale of the groundfish and scallop operations (note 8) were used to pay down the notes payable.

(ii) This loan, at the option of the Company, was convertible to redeemable Preference Shares bearing a dividend entitlement based on a defined cash flow.

(iii) The Company had pledged as collateral for the Convertible Subordinated Debentures a second floating charge over the assets of the Company.

The Convertible Subordinated Debentures were convertible into Common Shares at the option of the holder before the maturity date of July 21, 2006 at a conversion price of $6.00 per common share.

The Company redeemed the Convertible Subordinated Debentures for cash at par plus accrued and unpaid interest on December 15, 2003. During the year $4,874,466 (2002; $51,300) of Convertible Debentures were converted to 812,411 shares (2002; 8,546).

(iv) The principal payments required, in Canadian dollars, on long-term debt in each of the next five fiscal periods are as follows:

	Cdn ($000s)
2004	328
2005	412
2006	288
2007	114
2008	31

6 SHARE CAPITAL

The share capital of the Company is as follow:

	January 3, 2004	December 28, 2002
Authorized		
Cumulative Redeemable Convertible		
Preference Shares of the par value of $5 each, redeemable at par		
5½% Class C	**600,000**	600,000
5½% Class D	**400,000**	400,000
Cumulative Redeemable Second Preference Shares of the par value of $100 each	**200,000**	200,000
Preference Shares of the par value of $25 each, issuable in series	**9,999,944**	9,999,944
Subordinated Redeemable Preference Shares of the par value of $1 each, redeemable at par	**1,025,342**	1,025,542
Common Shares, without par value	**200,000,000**	200,000,000

	January 3, 2004		December 28, 2002	
	Shares	**$000s**	Shares	$000s
Issued				
Preference				
Class C and D Preference Shares (i)	-	-	249,007	1,246
Second Preference Shares (ii)	**200,000**	**20,000**	200,000	20,000
		20,000		21,246
Common				
Common Shares (iii)	**10,794,455**	**34,030**	9,835,944	28,361

(i) During the year the Class C and D Preference Shares were redeemed at par plus accrued and unpaid dividends. In 2002 the Class C and D Preference Shares are shown net of 142,868 shares which were owned by a subsidiary company.

(ii) On June 30, 2003, all dividends in arrears in the amount of $6.3 million were paid. There are no further arrears.

(iii) Common Shares issued are shown net of 171,500 shares (2002: 171,500 shares) in the amount of 2,558,200 (2002: $2,558,200) which are owned by a subsidiary company.

Common Share Transactions

	Fiscal 2003		Fiscal 2002	
	Shares	**$000s**	Shares	$000s
Balance, beginning of period	**9,835,944**	**28,361**	9,799,286	28,182
Shares issued:				
Convertible Subordinated				
Debentures converted	**812,411**	**4,874**	8,546	51
Stock options exercised	**146,100**	**795**	28,112	128
Balance, end of period	**10,794,455**	**34,030**	9,835,944	28,361

Preference Shares

The Second Preference Shares are redeemable by the Company at their par value plus accrued and unpaid dividends. Cumulative dividends are payable quarterly at one-half a chartered bank's prime lending rate plus 3 percent.

The Second Preference Shares will be redeemable in full in the event of any redemption or purchase for cancellation of any Common Shares of the Company.

Share Option Plan

The Company has a common share option plan for designated directors, officers and certain managers of the Company and of subsidiary companies, with total options granted not to exceed 10 percent of the issued Common Shares.

The Company does not record compensation expense on the issue and exercise of stock options as they are granted to employees at fair market value.

All options outstanding were granted at fair market value on the grant date. The following options were outstanding at year end.

Exercise Price $	Remaining Average Contractual Life In Years	Expiry	January 3, 2004	December 28, 2002
3.70	4.52	2006-2010	**50,000**	50,000
4.10	2.26	2006	**44,075**	72,175
4.40	3.26	2007	**54,750**	85,050
4.75	2.97	2005-2008	**82,575**	114,875
5.15	4.26	2008	**40,000**	48,000
6.25	1.26	2004-2007	**58,000**	104,875
7.70	5.25	2009	**106,200**	-
7.75	1.98	2004-2007	**100,000**	100,000
8.25	1.79	2004-2007	**58,825**	80,300
8.75	1.26	2005	**55,175**	62,700
10.00	6.67	2009-2011	**15,000**	-
			664,600	717,975

Included in the above figures are options of 121,200 at an average exercise price of $6.28, that were not exercisable on January 3, 2004, as they had not vested (December 28, 2002, 140,975 options at an average exercise price of $5.09). All other options outstanding on January 3. 2004 were exercisable.

A summary of recent option activities is as follows:

	Fiscal 2003 Options	Fiscal 2003 Weighted Average Exercise Price $	Fiscal 2002 Options	Fiscal 2002 Weighted Average Exercise Price $
Beginning of year	**717,975**	**5.97**	656,675	6.56
Granted	**126,900**	**7.97**	134,050	4.89
Expired/cancelled	**(34,175)**	**6.68**	(44,638)	8.06
Exercised	**(146,100)**	**5.44**	(28,112)	4.55
End of year	**664,600**	**6.44**	717,975	5.97

Under the terms of the plan:

(i) The Company's Human Resource and Corporate Governance Committee of the Board designates from time to time eligible participants to whom options will be granted, and the number of shares to be optioned to each;

(ii) Eligible participants are persons who are officers, general and division managers, certain head office managers, and directors of the Company, and officers, managers and directors of subsidiary companies;

(iii) Shares to be optioned shall not exceed the aggregate number of 1,750,000; the total number of shares to be optioned to any eligible participant shall not exceed 5% of the issued and outstanding shares of the class as at the date such option is granted. The aggregate annual number of options granted to all Company directors in total cannot exceed 75,000. Options issued to date are 816,512 leaving a balance of 933,488 available for new grants.

(iv) The option price for the shares is determined by the Committee at the time of granting of the option but cannot be less than the fair market value of the shares at the time the option is granted;

(v) The term during which any option granted may be exercised is determined by the Committee at the time the option is granted but may not exceed the maximum period permitted from time to time by the Toronto Stock Exchange.

(vi) The purchase price is payable in full at the time the option is exercised.

7 FOREIGN CURRENCY TRANSLATION ACCOUNT

(000s)	Fiscal 2003 $	Fiscal 2002 $
Balance, beginning of period	**2,341**	3,017
Translation adjustments related to net assets of self-sustaining foreign operations	**(11,616)**	(1,084)
Effects of exchange rate variation on translation of U.S.$ loans designated as hedges of net investment in self-sustaining foreign operation	**1,382**	408
Balance, end of period	**(7,893)**	2,341

8 NON-OPERATING TRANSACTIONS

Non-operating transactions consists of a gain of $42.3 million on the May 21, 2003, disposal of the Company's Nova Scotia groundfish and scallop harvesting business and all of the shore-based assets at Scotia Trawler Equipment, located in Lunenburg, Nova Scotia. In connection with this sale, the Company wrote down fishing related assets not sold in the amount of $5.9 million. These businesses operated as part of the Company's Fishing division. Debt settlement costs of $3.1 million were incurred on the early repayment of substantially all long-term debt from the proceeds of the sale. Also netted against other income are costs of $1.3 million that the Company had deferred on the balance sheet in December 2002 and the first quarter of 2003 relating to a potential acquisition. During the second quarter, these costs were expensed as management deemed the likelihood of completing the potential transaction was small.

(000s)	**Fiscal 2003** $	Fiscal 2002 $
Sale of groundfish and scallop operations:		
Proceeds	**65,355**	-
Costs, including severance	**(8,236)**	-
Fixed assets	**(12,737)**	-
Working capital	**(2,099)**	-
	(23,072)	-
Net gain	**42,283**	-
Write-down of fishing related assets	**(5,947)**	-
Debt and Swap settlement costs	**(3,081)**	-
Acquisition investigation costs written off	**(1,287)**	-
Closure of Lunenburg wetfish processing facility:		
Severance and other related costs	-	(3,412)
Gain on disposal of assets	-	3,043
Gain on disposal of subsidiary	-	526
Total non-operating income	**31,968**	157
Recovery of income taxes	**5,219**	1,998
After tax gain	**37,187**	2,155

9 INCOME TAXES

Temporary differences and loss carry forwards which give rise to future income tax assets and liabilities are as follows:

(000s)	**January 3, 2004** $	December 28, 2002 $
Future income tax assets		
Property, plant and equipment	**4,903**	3,058
Goodwill	**(5,289)**	(4,801)
Tax loss carry forwards	**4,683**	5,646
Deferred charges and other	**4,365**	4,333
Scientific research and experimental development	**1,117**	2,301
Valuation allowance	**(1,323)**	(2,513)
	8,456	8,024
Less: current portion - asset	**7,525**	6,991
Less: long term portion - asset	**7,282**	5,037
Long-term portion - liability	**(6,351)**	(4,004)

The Company has investment tax credit carry forwards of approximately $2.8 million (December 28, 2002; $2.8 million) available to reduce Canadian federal income taxes, expiring from 2004 through 2013. The Company also has provincial investment tax credits carry forwards of approximately $2.2 million (December 28, 2002; $1.9 million) available to reduce provincial income tax, with these credits expiring from 2005 to 2009.

The Company's effective income tax rate for 2003 is lower than the statutory rate. This results from the fact that part of the gain described in the above note 8 is capital in nature. Any capital gains not sheltered by the loss carry forwards are taxed at 50%. Also, the Company made use of capital loss carry forwards for tax purposes from prior years. These tax losses were not previously recorded in the accounts, as they were not foreseen to be able to be used.

The reconciliation of the Company's effective income tax rate is as follows:

	Fiscal 2003 %	Fiscal 2002 %
Federal income tax	**38.0**	38.0
Provincial income taxes, net of federal abatement	**3.3**	4.4
Applicable tax rate	**41.3**	42.4
Tax incentives for manufacturing and processing and active income	**(4.5)**	(4.3)
Rate reduction	**(2.5)**	(2.7)
Canadian surtax and large corporation tax	**1.2**	1.0
Effect of other non-deductible items	**1.4**	4.1
	36.9	40.5
Non-taxable gain on sales of capital assets	**(37.2)**	(14.2)
Effective tax rate	**(0.3)**	26.3

10 **EARNINGS AND PER SHARE EARNINGS**

The following is the reconciliation of the numerators and the denominators of basic and diluted earnings per share computations.

Earnings Per Share – Based on Net Income

	Fiscal 2003 Income $000s	Fiscal 2003 Shares 000s	Fiscal 2003 Per Share Amount $	Fiscal 2002 Income $000s	Fiscal 2002 Shares 000s	Fiscal 2002 Per Share Amount $
Net income	**46,119**			10,242		
Preferred share dividends	**(1,143)**			(1,089)		
Basic Earnings per Share:						
Income available to common shareholders	**44,976**	**9,945**	**4.52**	9,153	9,822	0.93
Diluted Earnings per Share:						
Effect of dilutive securities:						
Convertible Subordinated Debentures	**177**	**774**		181	822	
Stock options	-	**222**		-	126	
Income available to common shareholders and assumed conversions	**45,153**	**10,941**	**4.13**	9,334	10,770	0.87

Options to purchase 15,000 Common Shares at an average price of $10.00 per share (2002; 243,000 Common Shares at $8.17 per share) were outstanding at year end but were not included in the compulation of diluted earnings per share because the options' exercise price was greater than the average market price of the Common Shares.

Had the Company used the fair value method for accounting for stock-based compensation, the pro-forma net income and earnings per share would be as follows:

(000s except per share amounts)	Fiscal 2003 $	Fiscal 2002 $
Net income	**46,119**	10,242
Stock compensation expense	**(315)**	(253)
Pro-forma earnings	**45,804**	9,989
Basic pro-forma earnings per common share	**4.49**	0.91

The fair value of each option granted is estimated on the date of grant using the Black Scholes option-pricing model with the following average assumptions used for grants.

Assumptions	Fiscal 2003	Fiscal 2002
Dividend yield	**0.0%**	0.0%
Expected volatility	**36.4%**	37.3%
Risk-free interest rate	**4.3%**	4.3%
Expected lives	**6.0 years**	6.1 years

11 SEGMENTED INFORMATION

The Company evaluates performance of the reportable segments based on income before taxes. Operations and identifiable assets reporting segment are as follows:

(000s)	Fiscal 2003 $ Packaged Foods	Fiscal 2003 $ Fishing	Fiscal 2003 $ Total	Fiscal 2002 $ Packaged Foods	Fiscal 2002 $ Fishing	Fiscal 2002 $ Total
Total Sales:						
Canada	113,790	26,071	139,861	111,475	54,603	166,078
Inter-segment (i)	-	(18,119)	(18,119)	-	(38,054)	(38,054)
	113,790	7,952	121,742	111,475	16,549	128,024
United States	165,249	30,101	195,350	151,696	47,331	199,027
Inter-segment (ii)	-	(18,913)	(18,913)	-	(17,379)	(17,379)
	165,249	11,188	176,437	151,696	29,952	181,648
Europe and Pacific Rim	-	14,009	14,009	-	11,276	11,276
Mexico	3,691	-	3,691	3,510	-	3,510
Net sales to external customers	282,730	33,149	315,879	266,681	57,777	324,458

(i) Inter-segment sales from Fishing to Prepared Foods for raw material and finished goods are at commodity market prices

(ii) Export sales from Canada to the U.S. were $53.8 million in 2003 (2002: $66.2 million)

(000s) Segment Contribution to Profit	Fiscal 2003 $ Packaged Foods	Fiscal 2003 $ Fishing	Fiscal 2003 $ Unallocated	Fiscal 2003 $ Total	Fiscal 2002 $ Packaged Foods	Fiscal 2002 $ Fishing	Fiscal 2002 $ Unallocated	Fiscal 2002 $ Total
Operating EBITDA	20,953	(883)	107	20,177	21,013	7,559	(181)	28,391
Litigation costs	-	-	(42)	(42)	-	-	(2,655)	(2,655)
Depreciation	(3,217)	(694)	-	(3,911)	(3,130)	(2,513)	-	(5,643)
Interest expense	(2,065)	(308)	-	(2,373)	(5,130)	(1,456)	-	(6,586)
Other items	-	-	32,148	32,148	217	(369)	540	388
Income before income tax	15,671	(1,885)	32,213	45,999	12,970	3,221	(2,296)	13,895
Capital expenditures	6,695	544	-	7,239	3,402	1,467	-	4,869

Segment Assets (000s)	January 3, 2004 $	December 28, 2002 $
Packaged Foods	152,651	151,221
Fishing	10,206	42,943
Unallocated	14,882	13,203
	177,739	207,367

12 **EMPLOYEE FUTURE BENEFITS**

In Canada, the Company maintains a number of defined contribution plans and defined benefit pension plans covering substantially all Canadian employees. With respect to United States employees, the Company's subsidiary maintains a defined contribution plan (401k) that covers substantially all U.S. employees. The Company sponsors other non-pension benefit plans for some employees. The total expense for the Company's defined contribution pension plans is $0.7 million (2002; $0.7 million).

Information about the Company's defined benefit plans, in aggregate, is as follows:

(000s)	**Pension Benefit Plans 2003** **$**	**Other Benefit Plans 2003 (ii)** **$**	Pension Benefit Plans 2002 $	Other Benefit Plans 2002 (ii) $
Accrued benefit obligation				
Balance at the beginning of the year	**24,347**	**697**	22,750	555
Current service cost (employer)	**827**	**22**	787	22
Interest cost	**1,567**	**42**	1,555	40
Employee contributions	**219**	**-**	206	-
Benefits paid	**(938)**	**(37)**	(1,191)	(32)
Plan amendments	**76**	**-**	-	112
Increase due to curtailment	**487**	**-**	158	-
Reductions from settlement	**(679)**	**-**	-	-
Actuarial loss	**1,098**	**-**	82	-
Balance of end of year	**27,004**	**724**	24,347	697
Plan assets				
Fair value at the beginning of the year, estimated	**18,378**	**-**	18,201	-
Adjustment to actual assets at beginning of year	**39**	**-**	(105)	-
Actual return on plan assets	**3,687**	**-**	(274)	-
Employer contributions	**1,648**	**-**	1,712	-
Employees' contributions	**219**	**-**	206	-
Benefits paid	**(890)**	**-**	(1,134)	-
Reductions from settlement	**(679)**	**-**	-	-
Fees and expenses	**(260)**	**-**	(228)	-
Fair value at end of year	**22,142**	**-**	18,378	-
Funded status - plan (i)	**(4,862)**	**(724)**	(5,969)	(697)
Unamortized net actuarial loss	**4,248**	**-**	5,945	-
Unamortized past service costs	**195**	**-**	150	-
Accrued benefit (liability) asset	**(419)**	**(724)**	126	(697)
Total liability	**1,143**		571	

(i) To the end of 2003, the Company had in place a letter of credit in the amount of $1.5 million to secure its obligations under the supplemental executive retirement plan (SERP). This letter of credit was not renewed for 2004, according to the terms of the SERP.

(ii) The other benefit plans are unfunded.

The pension plans invest in diversified funds which may include shares of the Company.

The following is a summary of the weighted average significant actuarial assumptions used in measuring the Company's accrued benefit obligations:

	Pension Benefit Plans 2003	**Other Benefit Plans 2003**	Pension Benefit Plans 2002	Other Benefit Plans 2002
Discount rate	**6.3%**	**6.0%**	6.6%	6.0%
Expected long-term rate on plan assets	**6.9%**	**n/a**	6.9%	n/a
Rate of compensation increase	**3.4%**	**n/a**	3.1%	-

The Company's net defined benefit plan expense is as follows:

(000s)	**Pension Benefit Plans 2003** $	**Other Benefit Plans 2003** $	Pension Benefit Plans 2002 $	Other Benefit Plans 2002 $
Current service cost	**827**	**22**	787	22
Interest cost	**1,567**	**42**	1,555	40
Expected return on plan assets	**(1,303)**	**-**	(1,286)	-
Amortization of past service costs	**11**	**-**	11	-
Curtailment loss	**505**	**-**	158	-
Settlement loss	**194**	**-**	-	-
Other	**81**	**-**	-	-
Amortization of net actuarial loss	**439**	**-**	272	-
Net benefit plan expense	**2,321**	**64**	1,497	62

13 SUPPLEMENTAL CASH FLOW INFORMATION

Cash interest and cash taxes paid in 2003 and 2002 are as follows:

(000s)	**Fiscal 2003** $	Fiscal 2002 $
Interest	**2,024**	6,628
Income and capital taxes	**432**	753

14 COMMITMENTS

Operating lease commitments are less than $1.6 million for each of the next five years. They result principally from leases for automobiles, office equipment, premises and production equipment.

15 CONTINGENCIES

On September 18, 1998, the Company acquired the operations of Italian Village Ravioli & Pasta Products Inc. and Floresta Pasta Products Inc. (collectively Italian Village). In connection with this purchase, the Company has instituted legal action against the vendors for certain breach of contract claims and based on indemnity provisions in the purchase agreement. The Company expects to recover all indemnity claims. There currently exists an escrow account of approximately $7.6 million to cover these claims (2002; $9.3 million). At January 3, 2004, approximately $5.4 million (December 28, 2002; $6.6 million) of such indemnity claims have been recorded as other receivables. The change in values is solely related to changes in the exchange rates.

Ten-Year Financial Data

(000s except per share amounts)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Sales	**$ 315,879**	324,458	299,194	281,990	271,985	268,796	257,414	233,828	232,212	235,016
Gross profit	**64,507**	69,997	65,174	60,555	46,750	59,772	52,779	45,515	47,007	54,963
Other selling, general and administrative expenses	**(44,330)**	(41,606)	(37,542)	(32,925)	(34,138)	(34,589)	(31,539)	(28,134)	(30,375)	(30,987)
Operating EBITDA[1]	**20,177**	28,391	27,632	27,630	12,612	25,183	21,240	17,381	16,632	23,976
Litigation costs	**(42)**	(2,655)	(2,582)	(671)	(389)	-	-	-	-	-
Depreciation	**(3,911)**	(5,643)	(6,030)	(5,889)	(6,241)	(6,356)	(6,828)	(6,997)	(7,315)	(7,076)
Interest expense	**(2,373)**	(6,586)	(7,680)	(8,725)	(9,222)	(6,531)	(5,255)	(6,162)	(8,008)	(8,216)
Foreign exchange gain (loss)	**58**	32	(26)	90	177	(1,253)	(259)	(8)	(190)	(456)
Income (loss) before the following	**13,909**	13,539	11,314	12,435	(3,063)	11,043	8,898	4,214	1,119	8,228
Gain (loss) on asset disposals	**32,090**	3,768	797	-	5,943	1,082	104	(2)	52	(46)
Minority interest	-	-	-	-	-	-	203	(69)	(663)	(247)
Reorganization (costs) recovery	-	(3,412)	-	-	(4,654)	-	-	87	6,397	-
Income (loss) before income taxes	**45,999**	13,895	12,111	12,435	(1,774)	12,125	9,205	4,230	6,905	7,935
Income tax expense										
Current	**(110)**	(287)	(482)	(393)	(4,621)	(1,462)	(843)	(642)	(392)	(343)
Future	**230**	(3,366)	(4,457)	(4,608)	3,273	(3,783)	(2,979)	(1,883)	(3,286)	(3,324)
Total income taxes	**120**	(3,653)	(4,939)	(5,001)	(1,348)	(5,245)	(3,822)	(2,525)	(3,678)	(3,667)
Income before goodwill amortization	**46,119**	10,242	7,172	7,434	(3,122)	6,880	5,383	1,705	3,227	4,268
Goodwill amortization net of income taxes	-	-	(990)	(1,017)	(945)	(393)	-	(150)	(345)	(320)
Net income (loss) for the period	**$ 46,119**	10,242	6,182	6,417	(4,067)	6,487	5,383	1,555	2,882	3,948
Book value per Common Share at year end[2]	**$ 9.39**	6.89	6.17	5.52	4.91	5.65	3.58	2.81	2.65	2.21
Basic Info per Common Share										
Based on net income	**$ 4.52**	0.93	0.50	0.51	(0.56)	0.63	0.57	(0.01)	0.16	0.30
Based on income before goodwill	**$ 4.52**	0.93	0.60	0.62	(0.46)	0.68	0.57	0.01	0.21	0.34
Based on operating income[3]	**$ 0.78**	0.71	0.45	0.51	(0.67)	0.52	0.57	(0.01)	(0.29)	0.30
Fully diluted earnings per Common Share based on net income	**$ 4.13**	0.87	0.48	0.51	(0.56)	0.59	0.57	(0.01)	0.16	0.30
Common Shares										
Outstanding at year end	**10,794**	9,836	9,799	9,780	9,768	9,737	7,223	7,213	7,213	7,213
Average for year	**9,945**	9,822	9,788	9,780	9,763	7,698	7,223	7,213	7,213	7,213
Second Preference Shares										
Dividends earned but not declared	-	-	-	-	-	-	1,086	1,228	1,429	1,254
Dividends declared and paid										
Current	**$ 1,078**	1,017	1,195	1,324	1,243	1,260	-	-	-	-
Arrears	**$ 6,260**	1,362	770	-	-	-	-	-	-	-
Dividends paid per share	**$ 36.65**	11.90	9.83	6.62	6.22	6.30	-	-	-	-
Common Shares										
Dividends declared and paid	**$ 537**	-	-	-	-	-	-	-	-	-
Dividend per share	**$ 0.05**	-	-	-	-	-	-	-	-	-
C&D Preference Shares										
Dividends declared and paid	**$ 65**	72	76	79	106	106	106	106	106	106
Dividend per share	**$ 0.264**	0.275	0.275	0.275	0.275	0.275	0.275	0.275	0.275	0.275
Convertible Income Debenture										
Distribution paid	**N/A**	N/A	N/A	N/A	7	250	81	298	208	453

1 *Earnings before interest, taxes, depreciation and amortization, as disclosed on the consolidated statements of income. Operating EBITDA excludes litigation costs.*

2 *Book value per common share is calculated before deducting undeclared dividends on preference shares.*

3 *Operating income is net income adding back the after-tax effect of non-operating transactions. See notes to the financial statements.*

(000s except per share amounts)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Cash	$ 926	1,088	588	1,106	7,474	359	6,567	271	1,806	1,402
Accounts receivable	31,840	35,001	29,250	30,643	29,955	30,776	23,379	22,460	22,876	21,344
Inventories	49,870	50,053	61,422	50,105	54,415	79,855	46,494	56,836	47,184	49,169
Prepaid expenses	1,502	1,600	1,124	932	1,836	1,234	826	1,297	957	1,456
Future income taxes	7,525	6,991	6,022	2,174	2,066	1,573	1,610	1,285	2,224	4,956
Total current assets	91,663	94,733	98,406	84,960	95,746	113,797	78,876	82,149	75,047	78,327
Property, plant & equipment	27,492	44,303	46,839	45,614	46,002	64,341	54,998	55,671	63,055	64,992
Goodwill and deferred charges	45,789	56,592	58,354	57,017	55,568	45,547	6,341	1,365	4,023	5,078
Future income taxes	7,282	5,037	7,337	13,470	16,505	13,504	16,681	19,672	20,530	21,174
Other assets	5,513	6,702	6,934	6,311	6,080	4,311	4,882	5,940	5,975	6,045
Total assets	$ 177,739	207,367	217,870	207,372	219,901	241,500	161,778	164,797	168,630	175,616
Bank loans	$ 10,252	5,960	17,184	2,337	16,456	36,497	13,965	18,226	11,310	14,683
Accounts payable and accrued liabilities	37,424	42,490	34,445	37,163	30,586	32,122	28,659	35,956	34,090	36,987
Income taxes payable	-	-	109	-	4,594	540	470	788	526	253
Current portion of long-term liabilities	328	15,919	15,871	13,227	5,226	2,658	760	5,506	10,150	3,711
Total current liabilities	48,004	64,369	67,609	52,727	56,862	71,817	43,854	60,476	56,076	55,634
Long-term liabilities	845	49,395	65,840	77,753	92,302	81,859	59,328	50,423	59,901	70,992
Employee future benefits	1,143	571	560	679	871	879	812	759	754	899
Future income taxes	6,351	4,004	2,055	762	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-	979	910	247
Shareholders' equity:										
Preference shareholders	20,000	21,246	21,318	21,442	21,929	21,929	21,929	21,929	21,929	21,929
Convertible subordinated debentures	-	-	-	-	-	9,962	9,962	9,962	9,962	9,962
Common shareholders	101,396	67,782	60,488	54,009	47,937	55,054	25,893	20,269	19,098	15,953
Total liabilities and shareholders' equity	$ 177,739	207,367	217,870	207,372	219,901	241,500	161,778	164,797	168,630	175,616

Quarterly Financial Data

(000s except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Fiscal 2003					
Sales	$ 99,338	70,662	70,235	75,644	315,879
Operating EBITDA[1]	8,847	4,253	3,593	3,484	20,177
Net income	3,868	40,010	1,482	759	46,119
After tax operating income[5]	3,868	1,468	1,482	2,114	8,932
Earnings per Common Share					
Basic earnings per Common Share[4]	0.36	4.02	0.12	0.05	4.52
Diluted earnings per Common Share[4]	0.34	3.65	0.11	0.05	4.13
Earnings per Common Share, operating income[5]					
Basic earnings per Common Share[4]	0.36	0.12	0.12	0.18	0.78
Diluted earnings per Common Share[4]	0.34	0.11	0.11	0.18	0.73
Fiscal 2002					
Sales	$ 89,571	71,487	77,692	85,708	324,458
Operating EBITDA[1]	9,837	4,049	6,167	8,338	28,391
Net income	3,411	289	1,375	5,167	10,242
After tax operating income	3,411	289	1,375	3,012	8,087
Earnings per Common Share					
Basic earnings per Common Share[4]	0.32	0.00	0.11	0.49	0.93
Diluted earnings per Common Share[4]	0.30	0.00	0.11	0.46	0.87
Earnings per Common Share, operating income[5]					
Basic earnings per Common Share[4]	0.32	0.00	0.11	0.27	0.71
Diluted earnings per Common Share[4]	0.30	0.00	0.11	0.26	0.67

[4] *Total for the year does not add to the sum of the quarters due to rounding.*
[5] *Operating income is net income adding back non-operating transactions as disclosed in note 8 to the consolidated financial statements*

Corporate Directory

Directors

C.R. Bell(4)
St. John's, NL
Director since 1991
Chairman of the Bell Group of Companies, of St. John's, Newfoundland, which includes a distribution company, a 25-store retail furniture chain, real estate holdings, offshore oil and gas services, construction supplies, and investment management. Director of The International Grenfell Association.

G.E. Bishop(4)
Hantsport, NS
Director since 1992
President, Scotia Investments Limited, and Chairman and Chief Executive Officer of Minas Basin Pulp and Power Company Limited. Director of CKF Inc., Maritime Paper Products Limited, Crown Fibre Tube Inc., Armour Transportation Systems, and several other companies. Chairman of the Board of Governors of Acadia University, and Governor of Junior Achievement of Nova Scotia.

H.E. Demone(1,4 [ex officio])
Lunenburg, NS
Director since 1989
President of High Liner Foods Incorporated since 1989, and President and Chief Executive Officer since 1992. Member and former Chairman of the Atlantic Canada Chapter of the Young Presidents' Organization, and a Director of Dover Industries Limited, and the Food & Consumer Products Manufacturers of Canada.

R.P. Dexter, Q.C.(2)
Halifax, NS
Director since 1992
Chairman and CEO of Maritime Travel Inc., operating 78 travel shops in Canada under the trade names "Maritime Travel", and "LeGrow's Travel". Partner of Stewart McKelvey Stirling Scales, and Director of Aliant Inc., CorporaTel, Empire Company Limited, The Maritime Life Assurance Company, Sobeys Inc., and Wajax Limited. Chairman of the Audit Committee.

F.J. Dickson, Q.C.(1,2)
Truro, NS
Director since 2000
Senior partner of Patterson Palmer, barristers and solicitors of Halifax, NS; Former director of Stone & Webster Canada Limited, Scotia Synfuels Limited, Yamaichi International (Canada) Ltd., and Air Canada. Mr. Dickson previously served as a director of National Sea Products Limited from 1984 to 1994.

D.J. Hennigar(1,3)
Bedford, NS
Chairman of the Board
Director since 1984
Chairman of Annapolis Group Inc., of Acadian Securities Inc., and of Extendicare Inc. Director of several other companies, including Scotia Investments Limited and Crown Life Insurance Company. Chairman of the International Oceans Institute of Canada, and a member of the Dalhousie University School of Business Advisory Committee. Mr. Hennigar is Chairman of the Executive Committee.

F.B. Ladly(3)
Fallbrook, ON
Director since 1998
Deputy Chairman of Extendicare Inc., a health care and financial services company based in Markham, Ontario, Vice Chairman of Crown Life Insurance Company and Director of UBS Bank (Canada), UBS Trust (Canada), and Knudsen Engineering Limited.

J.T. MacQuarrie, Q.C.(3,4)
Halifax, NS
Director since 1985
Senior Partner of Stewart McKelvey Stirling Scales. Director of Minas Basin Pulp and Power Company Limited, Extendicare Inc., and several other public and private corporations. Chairman of Environment & Safety Committee.

R.L. Pace(2)
Halifax, NS
Director since 1998
President and CEO of The Pace Group Ltd., a private holding company. Chairman of Maritime Broadcasting System, owners and operators of 25 radio stations in the Maritimes. Director of Canadian National, Green Waste Systems Inc., MBS Realty Ltd., the Atlantic Salmon Federation, the Lester B. Pearson College of the Pacific, and the Asia Pacific Foundation of Canada.

D.E. Read(1,3)
Halifax, NS
Director since 1985
President, Read Group, and a Director of several private companies in Atlantic Canada. Member of the Executive Committee of the Dalhousie Medical Research Foundation, and former Vice Chairman of the Board of Regents of Mount Allison University. Chairman of Human Resources & Corporate Governance Committee.

R.E. Shea(2)
Boston, MA
Director since 1982
Chairman & President, Shea Financial Group Inc., and Director of Balcam & Shea Insurance Agency, Inc., Plaintree Systems Inc., American Manor Enterprises Inc., and Consultants and Risk Managers, Inc.

D.R. Sobey(1)
Stellarton, NS
Director since 1984
Chairman, Empire Company Limited, Director of Alliance Atlantis Communications Inc., Sobeys Inc., Toronto-Dominion Bank, Stora Enso, the World Wildlife Fund. Chair of the National Gallery of Canada, Governor of the Olympic Trust of Canada, past Chairman QEII Foundation, and a member of the Advisory Council, Queen's University.

J.R. Winters, Q.C.(1,2)
Truro, NS
Director since 1997
Counsel to Burchell MacDougall, Barristers & Solicitors of Truro, NS, and Chairman of Napwick Holdings Limited, a private holding company. Director of the Halifax International Airport Authority, Chairman of the Board of Regents of Mount Allison University, a member of the Advisory Boards of Inland Technologies Inc. and Oxford Frozen Foods Limited.

(1) *Executive Committee*
(2) *Audit Committee*
(3) *Human Resources & Corporate Governance Committee*
(4) *Environment & Safety Committee*

Management & Investor Relations

Honourary Directors
J.B. Estey
J.B. Morrow
W.O. Morrow
(Honourary Chairman)
M.J. Regan

Officers and Canadian Management
D.J. Hennigar
Chairman of the Board
H.E. Demone(1)
President and Chief Executive Officer
M.P. Marino(1)
Vice President, and Chief Operating Officer Canadian Operations
K.L. Nelson, CA(1)
Vice President, Corporate Services and Chief Financial Officer
M.G. Patenaude(1)
Vice President, Human Resources
P.W. Snow(1)
Vice President, Procurement
R.G. Whynacht(1)
Vice President, and Chief Operating Officer
National Sea Products
C.E. Milton, LL.B.
Corporate Counsel, Secretary and Treasurer
G.W. LeBlanc, CA
Corporate Controller

High Liner Foods (USA) Inc.
R.C. Seban(1)
President and Chief Operating Officer
A. Christianson
Vice President, Operations
R. Fontenot
Vice President, Sales
J.K. McGinn, C.M.A.
Vice President, Finance
R. Kosciusko
Vice President, Human Resources

Plants
Nova Scotia: Lunenburg
Newfoundland: Arnold's Cove
New Hampshire: Portsmouth
New Jersey: Secaucus

Subsidiary Companies and Divisions
- High Liner Foods (USA) Incorporated
- National Sea Products
- Italian Village Foods

Auditors
Ernst & Young, LLP
Chartered Accountants

(1) Management Committee

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Transfer Agent
For help with:
- changes of address
- transfer of shares
- loss of share certificates
- consolidation of multiple mailings to one shareholder
- estate settlements

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Investor Relations
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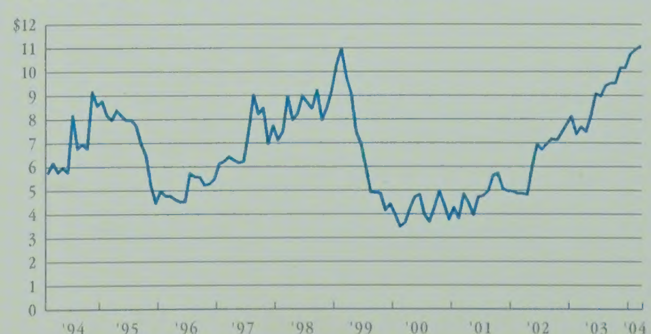
Lunenburg, NS B0J 2C0
Common Shares listed on The Toronto Stock Exchange
Trading Symbol: HLF

Annual General Meeting of Shareholders
Wednesday, April 28, 2004
11:00 a.m.
World Trade & Convention Centre
Halifax, Nova Scotia

Consumer website: www.highliner.com

Ten-Year Common Share Price Performance



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